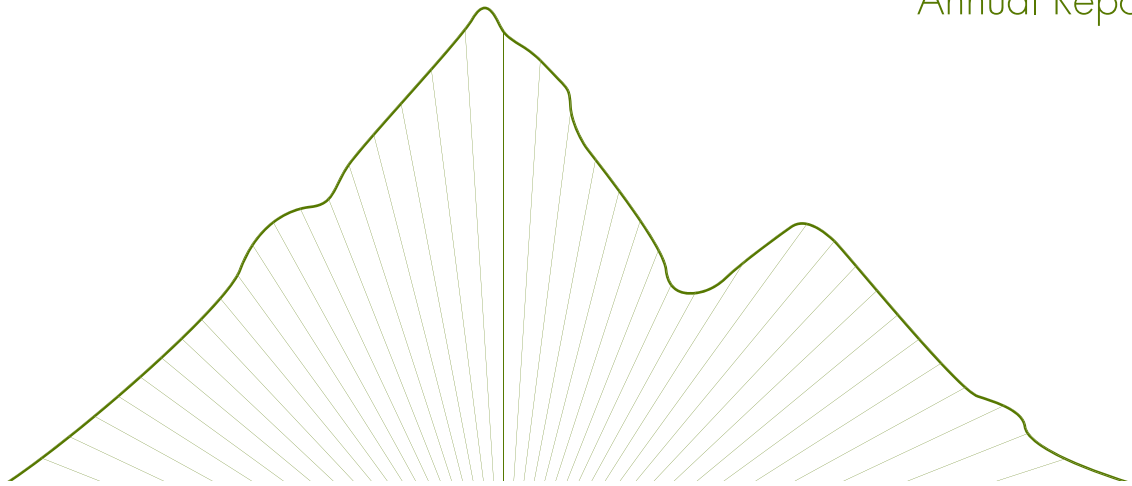


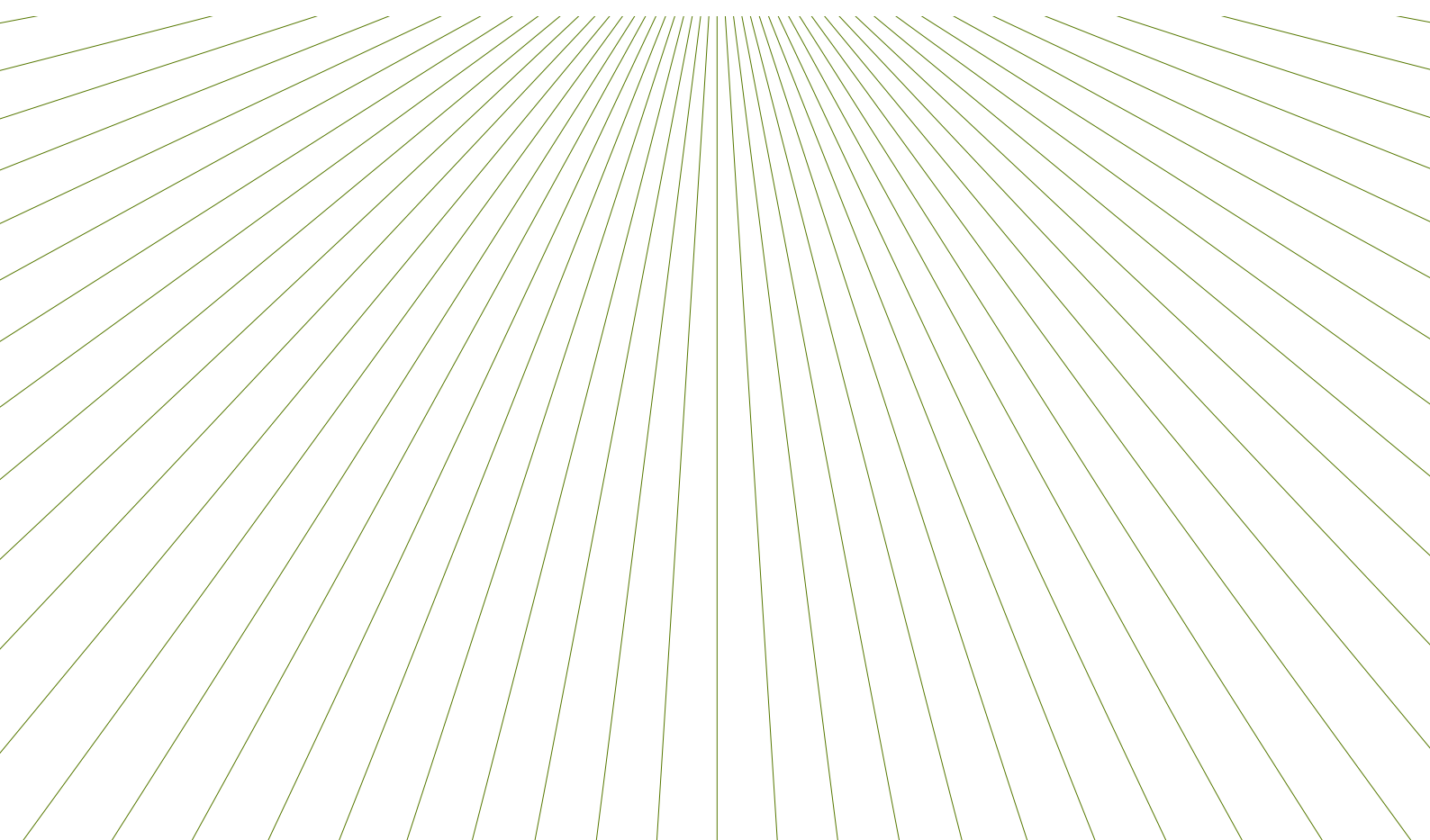
2013

Annual Report



Nanyang Holdings Limited

(incorporated in Bermuda with limited liability) Stock Code: 212



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Directors

- # Rudolf Bischof (Chairman)
- Hung Ching Yung, JP (Managing Director)
- Lincoln C. K. Yung, JP, FHKIB (Deputy Managing Director)
- # James Julius Bertram
- # Robert Tsai To Sze
- * John Con-sing Yung
- Jennie Chen (Financial Controller)

Independent non-executive directors

** Non-executive director*

Company Secretary

John Barr

Principal Share Registrar and Transfer Agent

Appleby Management (Bermuda) Ltd
Canon's Court, 22 Victoria Street
Hamilton HM 12
Bermuda

Branch Registrar and Registration Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Bankers

The Hongkong & Shanghai Banking Corporation Ltd
Shanghai Commercial Bank Ltd

Solicitors

Mayer Brown JSM

G R O U P F I N A N C I A L H I G H L I G H T S

	2013 HK\$'000	2012 HK\$'000	Variance
Revenue	<u>155,651</u>	<u>140,716</u>	11%
Profit attributable to equity holders of the Company before taking into account changes in fair value of investment properties and related tax effects	108,040	76,197	42%
Add: Changes in fair value of investment properties and related tax effects	<u>54,164</u>	<u>483,435</u>	(89%)
Profit attributable to equity holders of the Company	<u>162,204</u>	<u>559,632</u>	(71%)
Total equity	<u>3,647,253</u>	<u>3,396,020</u>	7%
	2013 HK\$	2012 HK\$	
Earnings per share before taking into account changes in fair value of investment properties and related tax effects	2.63	1.85	42%
Add: Changes in fair value of investment properties and related tax effects per share	1.31	11.70	(89%)
Earnings per share	3.94	13.55	(71%)
Final dividend per share	0.40	0.40	–
Special dividend per share	0.50	0.40	25%
Dividend per share	0.90	0.80	12.5%
Net asset value per share	<u>88.68</u>	<u>82.25</u>	8%

F I V E Y E A R F I N A N C I A L S U M M A R Y

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)
Consolidated Income Statement					
Revenue	155,651	140,716	118,900	134,559	107,263
Operating profit	160,278	557,155	221,030	139,864	76,866
Finance costs	(794)	(1,082)	(807)	(352)	(25)
Share of profits less losses of joint ventures	14,558	22,188	8,553	(47)	(5,033)
Profit before income tax	174,042	578,261	228,776	139,465	71,808
Income tax expense	(11,838)	(18,629)	(17,257)	(14,329)	(4,174)
Profit attributable to equity holders of the Company	162,204	559,632	211,519	125,136	67,634
Dividends paid	32,902	20,644	33,097	23,114	8,405
Consolidated Balance Sheet					
Property, plant and equipment	1,140	1,119	1,320	1,528	1,948
Investment properties	1,742,200	1,691,730	1,228,440	1,081,920	999,900
Joint ventures	260,958	212,606	189,716	176,455	173,535
Available-for-sale financial assets	1,431,326	1,342,745	1,386,402	1,140,386	510,774
Deferred income tax assets	384	102	103	506	106
Derivative financial instruments, net	–	–	(385)	(192)	350
Other non current assets	–	–	–	–	62,766
Net current assets	229,817	168,766	110,205	207,363	182,798
Deferred income tax liabilities	(18,572)	(21,048)	(18,819)	(17,802)	(15,412)
Net assets	3,647,253	3,396,020	2,896,982	2,590,164	1,916,765
Share capital	4,113	4,129	4,129	4,137	4,202
Reserves	3,643,140	3,391,891	2,892,853	2,586,027	1,912,563
Total equity	3,647,253	3,396,020	2,896,982	2,590,164	1,916,765

Note:

Prior year figures have been restated to account for the prior year adjustments described in note 2.1 to the financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Nanyang Holdings Limited will be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 23rd May 2014 at 12:00 noon for the following purposes:-

1. To receive and consider the audited Financial Statements and the reports of the Directors and the Auditor for the year ended 31st December 2013;
2. To approve the payment of a final dividend and a special dividend;
3. To re-elect Directors;
4. To approve that with retrospective effect from 1st January 2014, the remuneration of the Independent Non-Executive Directors and the Non-Executive Director be increased to the amounts as follows:
 - the Independent Non-Executive Director who serves as Chairman of the Board and Chairman of the Nomination Committee – HK\$420,000 per annum
 - the Independent Non-Executive Director who serves as Chairman of the Audit Committee – HK\$420,000 per annum
 - the Independent Non-Executive Director who serves as Chairman of the Remuneration Committee – HK\$360,000 per annum
 - the Non-Executive Director – HK\$180,000 per annum

N O T I C E O F A N N U A L
G E N E R A L M E E T I N G *(cont'd)*

5. To re-appoint the Auditor and fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following Resolutions:

As Ordinary Resolutions:-

6. THAT:

- (a) subject to paragraph (b) below the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (c) for the purposes of this Resolution “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:-
 - (i) the conclusion of the next Annual General Meeting of the Company; and
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

N O T I C E O F A N N U A L
G E N E R A L M E E T I N G *(cont'd)*

7. THAT:

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company, shall not exceed the aggregate of (aa) 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

N O T I C E O F A N N U A L
G E N E R A L M E E T I N G (cont'd)

(d) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next Annual General Meeting of the Company; and
- (ii) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

8. THAT the Directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 7 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.

By Order of the Board

John Barr
Company Secretary

Hong Kong, 20th March 2014

NOTICE OF ANNUAL GENERAL MEETING *(cont'd)*

Notes:

1. The register of members of the Company will be closed from 29th May 2014 to 30th May 2014, both days inclusive. To qualify for the final and special dividends, transfers should be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 28th May 2014.
2. A member entitled to attend, act and vote is entitled to appoint one or more proxies to attend, act and vote instead of him. A proxy need not be a member of the Company. To be valid, an instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, and in default thereof the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.

Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned, and in such event the instrument appointing a proxy shall be deemed to be revoked.

3. Corporate representatives shall before the meeting commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 2 above shall be applicable.

4. In relation to the general mandate referred to in Resolution 7 above, the Directors have no specific proposal in mind but wish to be in a position to take advantage of any opportunities which may arise.
5. The Chairman will demand that each of the resolutions set out in the notice of this meeting be voted on by poll.

Rudolf Bischof

Chairman, Independent Non-Executive Director, Chairman of Nomination Committee, Member of Remuneration Committee and Member of Audit Committee

Mr. Rudolf Bischof, aged 72, was appointed a Director of the Company in March 1998 and became Chairman in August 2003. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York.

Hung Ching Yung, JP

Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Hung Ching Yung, aged 91, has been the Managing Director of the Company for 67 years since it was founded in 1947. He studied in St. John's University and graduated from the University of Shanghai. He is now the Chairman of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan. He is also a Director of Shanghai Sung Nan Textile Co. Ltd., Shanghai Commercial Bank Ltd. in Hong Kong, Pafoong Insurance Company (Hong Kong) Ltd., and The Wing On Enterprises, Ltd. He was the Founder of the Hong Kong Cotton Spinners Prevocational School and has been an Advisor of the Tung Wah Group of Hospitals since 1956 until now. He is the father of Mr. Lincoln C. K. Yung and the grandfather of Mr. John Con-sing Yung.

Lincoln Chu Kuen Yung, JP, FHKIB

Deputy Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Lincoln Yung, aged 68, has been a Director of the Company for 37 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from the University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is a Fellow of The Hong Kong Institute of Bankers. Mr. Yung is currently the Chairman and Non-Executive Director of Shanghai Commercial Bank Limited and Pafoong Insurance Company (Hong Kong) Limited. He is also an Independent Director of Tai Ping Carpets International Limited, a Director of The Shanghai Commercial & Savings Bank, Ltd., and Non-Executive Vice-Chairman of Southern Textile Co. Ltd. In 2013, Mr. Yung became Chairman of Shanghai Sung Nan Textile Co. Ltd. and President of Hong Kong Wuxi Trade Association Limited. He is the son of Mr. Hung Ching Yung and the father of Mr. John Con-sing Yung.

James Julius Bertram

Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination Committee

Mr. James Bertram, aged 69, was appointed a Director of the Company in August 2003. He was educated in the United Kingdom where he was admitted as a solicitor in 1970. In 1971 he was admitted as a solicitor in Hong Kong since when he has practised as a solicitor with Deacons where he was Senior Partner from 1988 to 2000. He is currently employed by Deacons as a consultant.

Robert Tsai To Sze

Independent Non-Executive Director, Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Mr. Robert Sze, aged 73, was appointed a Director of the Company in August 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he had practised for over 20 years. He is an Independent Non-Executive Director (“INED”) of a number of Hong Kong listed companies, China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited and Sunwah Kingsway Capital Holdings Limited. He has also been an INED of Asia Satellite Telecommunications Holdings Limited (retired on 19th June 2013) and QPL International Holdings Limited (retired on 23rd September 2013) during the past three years.

John Con-sing Yung

Non-Executive Director

Mr. John Yung, aged 45, was appointed a Non-Executive Director of the Company in December 2012. He holds a bachelor degree in arts and a master degree in business administration from the University of Chicago. Mr. Yung has been appointed as a Director of Nanyangetextile.com Limited, an indirect wholly-owned subsidiary of the Company, since 2000. He has been appointed as a Director of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan (“SCSB”) since 2003. He is presently an Executive Vice President and the Chief Information Officer of SCSB, responsible for the bank’s overseas expansion and relationship with other financial institutions. He is also an Alternate Director of Shanghai Commercial Bank Ltd. in Hong Kong. Mr. Yung serves as a member of the Shanghai Committee of the Chinese People’s Political Consultative Conference. He has over nine years of experience in information technology and telecommunication business in the Asia Pacific region. Mr. Yung is a son of Mr. Lincoln C. K. Yung and a grandson of Mr. Hung Ching Yung.

Jennie Chen

Director and Financial Controller

Ms. Jennie Chen, aged 58, was appointed a Director of the Company in September 2003. Ms. Chen holds the position of Financial Controller and has been with the Company for 28 years. She graduated from the University of Toronto and has experience in accountancy, finance and investment, and the textile industry. She is also a Director of Southern Textile Co. Ltd. and Shanghai Sung Nan Textile Co. Ltd.

R E P O R T O F T H E D I R E C T O R S

The Directors submit their report together with the audited financial statements for the year ended 31st December 2013.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of its joint ventures and subsidiaries are shown in Notes 16 and 31 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December 2013 are set out in the consolidated income statement on page 30.

The Directors recommend the payment of a final dividend of HK\$0.40 per share and a special dividend of HK\$0.50 per share, representing a total dividend distribution of approximately HK\$37.02 million. Subject to the approval at the Annual General Meeting, the final and special dividends will be paid on 6th June 2014.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 23 to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31st December 2013, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$480,255,000 (2012: HK\$405,768,000).

Fixed Assets

Details of the movements in property, plant and equipment, and investment properties of the Group are set out in Notes 13 and 14 to the financial statements respectively.

Principal Properties

Details of the principal properties of the Group are set out on page 100.

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 22 of the financial statements.

REPORT OF THE DIRECTORS *(cont'd)*

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 10 to 12.

Mr. Rudolf Bischof retires by rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

Mr. Robert Tsai To Sze retires voluntarily in accordance with the Company's Corporate Governance Code and, being eligible, offers himself for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests

As at 31st December 2013, the interests of the Directors and chief executive in the shares of the Company as recorded in the Register of Directors'/Chief Executive's Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Shares of HK\$0.10 each of the Company				% of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	39.47%
Lincoln C. K. Yung	2,240,000	10,000	-	2,250,000	5.47%
Rudolf Bischof	150,000	-	-	150,000	0.36%
John Con-sing Yung	33,000	37,000	-	70,000	0.17%

Note: As stated below, Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc., pursuant to the SFO.

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Directors' Interests *(cont'd)*

During the year, the Company has not granted to any Directors, chief executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company.

No contracts of significance in relation to the business of the Group to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31st December 2013, the Register of Substantial Shareholders' Interests and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	Number of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	13.37%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

REPORT OF THE DIRECTORS *(cont'd)*

Purchase, Sale or Redemption of Shares

During the year, the Company repurchased 159,500 of its shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled. The Directors believe that share buybacks will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares purchased	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
2013				
January	159,500	27.3	26.4	4,315,425

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the year.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	72%
– five largest suppliers combined	90%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 12% and 18% of the Group's total income from investment properties for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Related Party Transactions

Details of related party transactions are set out in Note 30 to the financial statements. None of the transactions constitute a connected transaction as defined in the Listing Rules.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 20th March 2014.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 20th March 2014

C O R P O R A T E G O V E R N A N C E

R E P O R T

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year, the Company was in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the standard set out in the Model Code throughout the year ended 31st December 2013.

Board of Directors

The Board of Directors (the "Board") of the Company provides leadership and supervises the overall direction of the Group's businesses. The day-to-day management however has been delegated to the Executive Directors.

The Board comprises seven Directors; three Executive Directors, three Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. The Company Secretary keeps the minutes of Board meetings.

The Company has insurance coverage for its Directors and officers.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Board of Directors *(cont'd)*

Attendance of individual Directors is listed below:

		Board Meetings	Annual General Meeting
Executive Directors			
Mr. Hung Ching Yung, JP	Managing Director	4/4	1/1
Mr. Lincoln C. K. Yung, JP, FHKIB	Deputy Managing Director	4/4	1/1
Ms. Jennie Chen	Financial Controller	4/4	1/1
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	4/4	1/1
Mr. James Julius Bertram	Director	4/4	1/1
Mr. Robert Tsai To Sze	Director	4/4	1/1
Non-Executive Director			
Mr. John Con-sing Yung	Director	4/4	1/1

Mr. Rudolf Bischof is the Chairman of the Board and an Independent Non-Executive Director. Mr. Hung Ching Yung is the Chief Executive Officer of the Group.

Mr. Hung Ching Yung is the father of Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung is a son of Mr. Lincoln C. K. Yung.

The Independent Non-Executive Directors and Non-Executive Director are appointed for a specific term and are subject to retirement by rotation.

Directors' continuous professional development

All the Directors of the Company participate in continuous professional development to ensure they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and Corporate Governance Code.

Directors are provided with written materials from time to time, they attend seminars and the Company Secretary also arranges suitable in-house training on the latest development of rules and regulations for assisting the Directors in discharging their duties.

According to the records maintained by the Company, the Directors received the following training on continuous professional development during the year.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Directors' continuous professional development *(cont'd)*

		Material	In-house training/ seminars
Executive Directors			
Mr. Hung Ching Yung, JP	Managing Director	√	√
Mr. Lincoln C. K. Yung, JP, FHKIB	Deputy Managing Director	√	√
Ms. Jennie Chen	Financial Controller	√	√
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	√	√
Mr. James Julius Bertram	Director	√	√
Mr. Robert Tsai To Sze	Director	√	√
Non-Executive Director			
Mr. John Con-sing Yung	Director	√	√

Remuneration Committee

The Remuneration Committee was established by the Board on 25th May 2005. The written terms of which were revised on 7th December 2005 and 7th May 2012 and further revised on 18th May 2012. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2013. Attendance of individual Directors is listed below:

	Attendance
Mr. James Julius Bertram – Chairman of the Remuneration Committee	1/1
Mr. Rudolf Bischof	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Lincoln C. K. Yung, JP, FHKIB	1/1
Mr. Robert Tsai To Sze	1/1

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Auditor's Remuneration

For the year ended 31st December 2013, fees payable to the auditors of the Group for audit and non-audit services amounted to HK\$1,315,000 and HK\$691,000 respectively.

Nomination Committee

The Nomination Committee was established by the Board on 21st March 2012. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2013. Attendance of individual Directors is listed below:

	Attendance
Mr. Rudolf Bischof – Chairman of the Nomination Committee	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Lincoln C. K. Yung, JP, FHKIB	1/1
Mr. James Julius Bertram	1/1
Mr. Robert Tsai To Sze	1/1

The principal duty of the Committee is to review the structure, size and composition of the Board annually, to make recommendations regarding any proposed changes to complement the corporate strategy and to identify individuals suitably qualified to become Board members. The Committee also assesses the independence of Independent Non-Executive Directors and makes recommendations to the Board on the appointment or re-appointment of Directors in particular the Chairman and the Chief Executive. In doing this, professional advice may be sought if considered necessary.

Board Diversity Policy

During the year, Board adopted a board diversity policy as it recognizes and endorses the principle that the Company should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business.

The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. The Board ensures that changes to its composition can be managed without undue disruption.

The Nomination Committee will review this Policy from time to time and monitor its implementation.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Audit Committee

The Audit Committee was established by the Board on 25th September 1998. The Committee consists of the three Independent Non-Executive Directors, Mr. Robert Tsai To Sze FCA, FCPA, Mr. Rudolf Bischof and Mr. James Julius Bertram.

The Committee met twice in 2013. Attendance of individual Directors is listed below:

	Attendance
Mr. Robert Tsai To Sze FCA, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. James Julius Bertram	2/2

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and the code provision C3.3 (the “Code Provision”) of the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules, written terms of reference (the “Terms”) which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30th June 2005. The amendments to the Code Provision which became effective on 1st January 2009 were adopted and incorporated in the Terms by the Board of the Company on 15th April 2009 and further revised on 18th May 2012. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures.

During 2013, the Audit Committee met to review the 2012 annual report and accounts and the 2013 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence, thereafter reporting to the Board.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group’s assets and the interests of shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the Executive Directors.

During the year, independent consultants were hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high-level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems.

Audit Committee *(cont'd)*

The Company has also established a whistleblowing policy under which employees who have concerns about any suspected misconduct or malpractice can raise their concern in confidence without fear of reprisal or victimisation.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner.

The independent auditor's report states the auditors' reporting responsibilities.

Company Secretary

The Company Secretary, not being a full time employee of the Group, ensures that board procedures are followed and is responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors.

Shareholders' Rights

The Company established a shareholder communication policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner.

The Company has also established procedures on how Shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a Shareholder and procedures for Shareholders to propose a person for election as a Director. Details of these procedures and policy are available under the Corporate Governance section of the Company's website at <http://www.nanyangholdingslimited.com>

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 20th March 2014

The Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2013 the Group reported a profit after taxation of HK\$162.2 million (2012: profit of HK\$559.6 million), a decrease of 71%. The decline in the current year's profit is due mainly to a decrease in the fair value gain of investment properties. The gain in fair value of investment properties in 2013 (including those owned by joint ventures) was HK\$54.2 million as compared with HK\$483.4 million in 2012. This resulted in a net change of HK\$429.2 million. Excluding the net effect from revaluing the investment properties at fair value, the net profit for the year would have been HK\$108.0 million (2012: profit of HK\$76.2 million), an increase of 42%. The gain was derived mainly from dividend income from The Shanghai Commercial & Savings Bank, Ltd. of approximately HK\$46.0 million and gains from the investment portfolios of approximately of HK\$30.7 million. Earnings per share were HK\$3.94 (2012: HK\$13.55). The Group's net asset value per share increased from HK\$82.25 (at 31/12/2012) to HK\$88.68 (at 31/12/2013).

The Directors recommend the payment of a final dividend of HK\$0.40 per share and a special dividend of HK\$0.50 per share, representing a total dividend distribution of approximately HK\$37.02 million, an increase of 12.5% (2012: final dividend of HK\$0.40 per share and a special dividend of HK\$0.40 per share, representing a total dividend distribution of HK\$32.9 million).

Business Review and Prospects

Real Estate

Hong Kong

The additional cooling measures taken by the government in early 2013 took the steam off the buoyant property market. Sale transactions reduced substantially and property prices have gradually levelled off. Rentals at the Group's principal property in Hong Kong, Nanyang Plaza, continued to improve. Of the 290,000 sq.ft. of industrial/office space we hold, 92.7% is leased. The building should continue to provide us with steady rental income.

Business Review and Prospects *(cont'd)*

Real Estate *(cont'd)*

Shanghai

The renovation work implemented by the new management team since beginning of 2012, at Shanghai Sung Nan Textile Co. Ltd. (“Sung Nan”), the joint venture of which the Group owns 65%, converting the factory site to offices for rental, has been completed. Renovation costs totalled approximately RMB57 million. Presently, the total leasable area of 28,159 sq.m. is fully leased to third parties. The previous main factory building, of 21,202 sq.m., has been leased to a Taiwan listed company in the restaurant and wedding banquet business. Towards the last quarter of 2013, Sung Nan has started to become profitable.

With reference to the Announcement made on 24th January 2014, an agreement has been reached with a buyer to sell the entire registered capital of the PRC company (33% owned by the Group) holding the commercial building in Jingan District, Shanghai. The disposal is conditional upon various conditions including the issuance of relevant approval letters, the grant of a new business licence and the completion of relevant registration requirements and tax filings in the PRC. Submissions to the various government departments for approvals are progressing. Completion is expected to take place on or before 31st August 2014 when all the conditions are satisfied.

Shenzhen

Operating results at the Group’s 45% joint venture in Shenzhen, Southern Textile Company Limited (“Southern”), continued to be satisfactory. Southern received approval for the extension of its land use right for the factory building and two floors at another premises for another 20 years to 2033. The business licence and the joint venture agreement have also been extended accordingly to 2034. Presently, of the total leasable area of 18,300 sq.m., almost 100% is leased.

Financial Investments

In the second half of 2013, world equity markets continued to perform favourably. During this period, we increased equities in Europe and Japan and reduced holdings in emerging market equities and bonds. For the year ended 31st December 2013, the investment portfolios showed a gain of 10.9%. At year end equities comprised 62.5% (of which 36% was in US equities), bonds 17.4%, alternative investments 2.6%, commodities 6% and cash 11.5%. The market value of the portfolios stood at US\$37.1 million or approximately HK\$287.9 million.

Business Review and Prospects *(cont'd)*

Financial Investments *(cont'd)*

Since the beginning of 2014, global financial markets have experienced modest volatility and trended downward due to tapering of asset purchases in the United States and heightened political tensions in some emerging markets. As at 14th March 2014, the latest practicable date, the portfolios were down slightly by 0.1% and the value stood at US\$35.8 million or approximately HK\$278 million. Equities comprised 60.6% (of which 35.5% was in US equities), bonds 17.6%, alternative investments 2.8%, commodities 5.6% and cash 13.4%.

We expect the low interest rate environment to continue to benefit the performance of the equities in our portfolios. However, the crisis in the Crimea peninsula creates uncertainty and may dampen the sentiment for investing. We shall look for opportunities to increase the equities in the United States, Europe and China when there are further adjustments.

The Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB") in Taiwan, amounting to approximately 4% of the total issued share capital, continued to perform satisfactorily. It has been classified under non-current assets as an available-for-sale financial asset, as there is no intention to dispose of it within 12 months of the annual report date. In 2013, the Group received a dividend of approximately HK\$46.0 million, net of 20% withholding tax.

SCSB is approaching its 100th year since being established, in Shanghai, in 1915. In March 2013, SCSB was rated by Global Banking & Finance Review as the Best Commercial Bank in Taiwan. Then, in April 2013, it was rated by The Asian Banker as the Best Managed Bank in Taiwan. In 2014, Global Banking & Finance Review further rated SCSB as the Best Trade Finance Bank in Taiwan. To date, SCSB has 69 branches including one in Hong Kong, one in Vietnam and representative offices in Bangkok, Thailand and in Cambodia. This year, they plan to open a branch in Singapore. The unaudited net income of SCSB for the nine months ended 30th September 2013 was approximately NT\$7,109.3 million (2012 same period: net income of approximately NT\$6,829.3 million), representing an increase of 4.1%. Total shareholders equity at 30th September 2013 was approximately NT\$94,244.0 million (30/9/12: approximately NT\$90,174.4 million), an increase of 4.5%. (These figures were extracted from the SCSB's website at <http://www.scsb.com.tw>)

Financial Position

The Group's investment properties with a value of HK\$1,633 million (31/12/2012: HK\$1,603 million) have been mortgaged to a bank to secure general banking facilities of which HK\$53 million was utilised as at 31st December 2013 (31/12/2012: HK\$80 million). At the end of the year, the Group had net current assets of HK\$229.8 million (31/12/2012: HK\$168.8 million).

Employees

The Group employed 15 employees as at 31st December 2013. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries and discretionary bonuses are reviewed annually. The Group also provides other benefits including medical cover and provident funds.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their contribution to the Group.

Rudolf Bischof

Chairman

Hong Kong, 20th March 2014

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nanyang Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 30 to 99, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

I N D E P E N D E N T A U D I T O R ' S R E P O R T
T O T H E S H A R E H O L D E R S O F
N A N Y A N G H O L D I N G S L I M I T E D *(cont'd)*

(Incorporated in Bermuda with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th March 2014

C O N S O L I D A T E D I N C O M E

S T A T E M E N T

For the Year ended 31st December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	5	155,651	140,716
Direct costs	6	<u>(13,551)</u>	<u>(13,313)</u>
Gross profit		142,100	127,403
Administrative expenses	6	(30,737)	(31,618)
Other operating expenses	6	(1,555)	(1,920)
Changes in fair value of investment properties		<u>50,470</u>	<u>463,290</u>
Operating profit		160,278	557,155
Finance costs	8	(794)	(1,082)
Share of profits less losses of joint ventures		<u>14,558</u>	<u>22,188</u>
Profit before income tax		174,042	578,261
Income tax expense	9	<u>(11,838)</u>	<u>(18,629)</u>
Profit attributable to equity holders of the Company		<u>162,204</u>	<u>559,632</u>
Earnings per share (basic and diluted)	11	<u>HK\$3.94</u>	<u>HK\$13.55</u>
Dividends	12	<u>37,015</u>	<u>32,902</u>

The notes on pages 37 to 99 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F

C O M P R E H E N S I V E I N C O M E

For the Year ended 31st December 2013

	2013	2012
	HK\$'000	HK\$'000
Profit for the year	162,204	559,632
	-----	-----
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on available-for-sale financial assets	84,945	(40,987)
Share of property revaluation reserve of a joint venture, net of tax	30,505	-
Currency translation differences	10,796	1,037
	-----	-----
Other comprehensive income for the year, net of tax	126,246	(39,950)
	-----	-----
Total comprehensive income attributable to equity holders of the Company	288,450	519,682
	-----	-----

The notes on pages 37 to 99 are an integral part of these financial statements.

C O N S O L I D A T E D B A L A N C E

S H E E T

As at 31st December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,140	1,119
Investment properties	14	1,742,200	1,691,730
Joint ventures	16	260,958	212,606
Available-for-sale financial assets	18	1,431,326	1,342,745
Deferred income tax assets	26	384	102
		3,436,008	3,248,302
Current assets			
Trade and other receivables	19	19,894	15,924
Financial assets at fair value through profit or loss	20	253,116	212,093
Cash and cash equivalents	21	55,759	66,722
		328,769	294,739
Total assets		3,764,777	3,543,041
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	4,113	4,129
Other reserves	23	1,271,329	1,144,675
Retained profits	23	2,371,811	2,247,216
		3,647,253	3,396,020
Total equity		3,647,253	3,396,020

C O N S O L I D A T E D B A L A N C E

S H E E T *(cont'd)*

As at 31st December 2013

	Note	2013 HK\$'000	2012 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	26	18,572	21,048
Current liabilities			
Trade and other payables	24	44,924	44,813
Current income tax liabilities		1,028	1,160
Short term bank loans	25	53,000	80,000
		98,952	125,973
Total liabilities		117,524	147,021
Total equity and liabilities		3,764,777	3,543,041
Net current assets		229,817	168,766
Total assets less current liabilities		3,665,825	3,417,068

The notes on pages 37 to 99 are an integral part of these financial statements.

The financial statements on pages 30 to 99 were approved by the Board of Directors on 20th March 2014 and were signed on its behalf.

Hung Ching Yung
Director

Lincoln C. K. Yung
Director

BALANCE SHEET

As at 31st December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	15	378,782	378,782
Current assets			
Trade and other receivables	19	151,717	83,104
Cash and cash equivalents	21	1,791	1,614
		153,508	84,718
Total assets		532,290	463,500
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	4,113	4,129
Other reserves	23	357,128	357,112
Retained profits	23	123,127	48,656
Total equity		484,368	409,897
LIABILITIES			
Current liabilities			
Trade and other payables	24	47,922	53,603
Total equity and liabilities		532,290	463,500
Net current assets		105,586	31,115
Total assets less current liabilities		484,368	409,897

The notes on pages 37 to 99 are an integral part of these financial statements.

The financial statements on pages 30 to 99 were approved by the Board of Directors on 20th March 2014 and were signed on its behalf.

Hung Ching Yung
Director

Lincoln C. K. Yung
Director

C O N S O L I D A T E D S T A T E M E N T O F

C H A N G E S I N E Q U I T Y

For the Year ended 31st December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Balance at 1st January		3,396,020	2,896,982
Comprehensive income:			
Profit for the year		162,204	559,632
Other comprehensive income:			
Fair value gains/(losses) on available- for-sale financial assets	23	84,945	(40,987)
Share of property revaluation reserve of a joint venture, net of tax	23	30,505	–
Currency translation differences	23	10,796	1,037
Total other comprehensive income, net of tax		126,246	(39,950)
Total comprehensive income		288,450	519,682
Transactions with owners:			
Final dividend relating to 2012/2011	23	(16,451)	(16,515)
Special dividend	23	(16,451)	(4,129)
Shares repurchased and cancelled	22	(4,315)	–
Total transactions with owners		(37,217)	(20,644)
Balance at 31st December		3,647,253	3,396,020

The notes on pages 37 to 99 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F

C A S H F L O W S

For the Year ended 31st December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	27(a)	7,381	3,103
Interest paid		(794)	(1,082)
Income tax (paid)/refunded		(2,606)	575
		3,981	2,596
Cash flows from investing activities			
Proceeds from sales of available-for-sale financial assets		267	85
Purchase of plant and equipment		(230)	–
Dividend received from a joint venture	27(b)	2,892	2,688
Dividends received from available-for-sale financial assets	27(b)	46,194	41,838
		49,123	44,611
Cash flows from financing activities			
Repurchase of own shares		(4,315)	–
Dividends paid		(32,902)	(20,644)
Repayment of bank loan		(27,000)	(38,000)
		(64,217)	(58,644)
Net decrease in cash and cash equivalents		(11,113)	(11,437)
Cash and cash equivalents at 1st January		66,722	78,247
Effect of foreign exchange rate changes		150	(88)
		55,759	66,722
Cash and cash equivalents at 31st December		55,759	66,722

The notes on pages 37 to 99 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Nanyang Holdings Limited is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is 1808 St George's Building, 2 Ice House Street, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together the "Group") engage in property investment and investment holding and trading.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20th March 2014.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) New and revised standards and amendments to standards that are effective in 2013 and are relevant to the Group's operations

During the year ended 31st December 2013, the Group has adopted the following new and revised standards and amendments to standards which are mandatory for accounting periods beginning on 1st January 2013:

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Annual Improvements Project	Annual Improvements 2011

The adoption of these new and revised standards and amendments to standards does not have significant change to the accounting policies or any significant effect on the results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) New standards, interpretations and amendments to standards that are not yet effective and have not been early adopted by the Group

The following new standards, interpretations and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1st January 2014 or later periods but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKAS 36 (Amendment)	Impairment of Assets	1st January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives	1st January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosure	1st January 2015
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidation for Investment Entities	1st January 2014
HKFRS 14	Regulatory Deferred Accounts	1st January 2016
Hong Kong International Financial Reporting Interpretations Committee (HK(IFRIC)) – 21	Levies	1st January 2014
Annual Improvements Project	Annual Improvements 2012 & 2013	1st July 2014

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) New standards, interpretations and amendments to standards that are not yet effective and have not been early adopted by the Group *(cont'd)*

The Group has not early adopted the above new standards, interpretations and amendments to standards in the financial statements for the year ended 31st December 2013. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.2 Consolidation *(cont'd)*

(a) Subsidiaries *(cont'd)*

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.2 Consolidation *(cont'd)*

(b) Joint arrangements *(cont'd)*

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business prospective.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's and Group's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other operating expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.5 Property, plant and equipment *(cont'd)*

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 35 years or useful life
Buildings	25 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the income statement.

2.6 Investment properties

Investment property is defined as property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the income statement as changes in fair value of investment properties.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the balance sheet (Note 2.9).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.1 Classification *(cont'd)*

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement as gains and losses on financial assets through profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as gains and losses on financial assets through profit or loss when the group's right to receive payment is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from available-for-sale financial assets'.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held – to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.3 Impairment of financial assets *(cont'd)*

(b) Assets classified as available-for-sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.9 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts, if any. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.11 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.11 Current and deferred income tax *(cont'd)*

(b) Deferred income tax *(cont'd)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 Employee benefits

(a) Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.12 Employee benefits *(cont'd)*

(a) Pension obligations *(cont'd)*

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.13 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.14 Revenue recognition

(a) Realised and unrealised gains and losses on investments

Realised gains and losses on investments are recognised on conclusion of sales contracts. Unrealised gains and losses on investments are recognised on the basis set out in Note 2.8.

(b) Rental and management fee income

Rental and management fee income on operating leases are recognised on a straight line basis over the lease periods.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(e) Commission income

Commission income is recognised when services are rendered.

2.15 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight line basis over the period of the lease.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.16 Borrowings *(cont'd)*

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including equity price risk, currency risk and interest rate risk), credit and counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Equity price risk

The Group's equity securities are exposed to price risk including currency translation difference as they are classified either as available-for-sale financial assets or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended 31st December 2013 would have been HK\$9,995,000 (2012: HK\$6,847,000) higher/lower.

The Group's available-for-sale financial assets are mainly equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK\$71,566,000 (2012: HK\$67,137,000) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(ii) **Foreign currency risk**

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide, primarily with respect to Euro and Japanese Yen. The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

At 31st December 2013, had the HK dollar weakened/strengthened by 5% against the Euro with all other variables held constant, the post-tax profit for the year ended 31st December 2013 would have been HK\$2,615,000 (2012: HK\$1,407,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss.

At 31st December 2013, had the HK dollar weakened/strengthened by 5% against the Japanese yen with all other variables held constant, the post-tax profit for the year ended 31st December 2013 would have been HK\$503,000 (2012: HK\$369,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

(iii) **Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities.

The Group's borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2013 and 2012, the Group's borrowings were denominated in HK dollars.

The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, the post-tax profit for the year ended 31st December 2013 would have been HK\$530,000 (2012: HK\$800,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit and counterparty risk

The credit and counterparty risk mainly arises from debt securities, deposits and cash and investments placed with banks and financial institutions. The Group has limited its credit exposure by restricting their selection to financial institutions or banks with good credit rating, ranged from A to AA-.

The Group's credit risk concentration of debt securities as at 31st December 2013 and 2012 is analysed below based upon the credit rating of the issuers:

	2013 HK\$'000	2012 HK\$'000
A to AAA	11,814	11,030
B to BBB	19,281	26,425
Unrated (Note)	18,385	34,203
	49,480	71,658

Note:

The Directors monitor the exposure on unrated assets and considered that the risk of default is minimal.

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has obtained banking facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) **Liquidity risk** *(cont'd)*

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
Group			
At 31st December 2013			
Short term bank loans and interest thereon	53,514	-	-
Trade payables	2,002	-	-
Rental and management fee deposits	3,410	8,029	2,854
Other payables and accruals (less provisions)	23,181	-	-
Amount due to a joint venture	15	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31st December 2012			
Short term bank loans and interest thereon	80,840	-	-
Trade payables	2,031	-	-
Rental and management fee deposits	4,053	8,147	1,241
Other payables and accruals (less provisions)	24,683	-	-
Amount due to a joint venture	58	-	-
	<u> </u>	<u> </u>	<u> </u>
Company			
At 31st December 2013			
Other payables and accruals	47,922	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31st December 2012			
Other payables and accruals	53,603	-	-
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

During 2013 and 2012, the Group's strategy was to maintain borrowings at a low level.

As at 31st December 2013 and 2012, the debt to equity ratio is summarised as follows:

	2013 HK\$'000	2012 HK\$'000
Total borrowings (Note 25)	<u>53,000</u>	<u>80,000</u>
Total equity	<u>3,647,253</u>	<u>3,396,020</u>
Debt to equity ratio	<u>1.5%</u>	<u>2.4%</u>

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2013. See note 14 for disclosures of the investment properties that are measured at fair value.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss	253,116	–	–	253,116
Available-for-sale financial assets	1,431,326	–	–	1,431,326
Total assets	1,684,442	–	–	1,684,442

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2012.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss	212,093	–	–	212,093
Available-for-sale financial assets	1,342,745	–	–	1,342,745
Total assets	1,554,838	–	–	1,554,838

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between any level during the year.

4 Critical accounting estimates and judgments

Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31st December 2013 by an independent professional property valuer, Prudential Surveyors International Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties. Details of the judgement and assumptions have been disclosed in note 14.

Classification and estimate of fair value of non listed available-for-sale financial assets

In connection with the Group's investment in The Shanghai Commercial & Savings Bank, Ltd ("SCSB"), certain Directors of the Company are also directors of SCSB. Their appointment as directors of SCSB was not nominated by the Group and does not represent the Group's interest. Accordingly, the Group does not have significant influence in SCSB and the investments in SCSB are classified as available-for-sale financial assets.

The fair value of non listed available-for-sale financial assets is determined by the quoted bid price in the over-the-counter market. The Group considers this price represents actual and regularly occurring market transactions on an arm's length basis and reflect the fair value of the investment.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and segment information

Revenue recognised during the year comprises the following:

	2013	2012
	HK\$'000	HK\$'000
Gross rental income from investment properties	56,448	49,065
Net realised and unrealised gains on financial assets at fair value through profit or loss	28,274	22,284
Dividend income from financial assets at fair value through profit or loss	2,539	1,787
Dividend income from available-for-sale financial assets	57,696	56,595
Interest income	1,578	1,968
Management fee income from investment properties	8,855	8,752
Other	261	265
	155,651	140,716

The Group is organised on a worldwide basis into two main business segments:

- Real estate – investment in and leasing of industrial/ office premises
- Financial investments – holding and trading of investment securities

There are no sales or other transactions between the business segments.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and segment information *(cont'd)*

The segment results for the year ended 31st December 2013 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Total revenue	65,303	90,348	155,651
Segment result	74,752	85,526	160,278
Finance costs			(794)
Share of profits less losses of joint ventures	14,558	–	14,558
Profit before income tax			174,042
Income tax charge			(11,838)
Profit attributable to equity holders of the Company			162,204
Other items			
Depreciation	50	159	209
Revaluation gain on investment properties	50,470	–	50,470

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and segment information *(cont'd)*

The segment results for the year ended 31st December 2012 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Total revenue	57,817	82,899	140,716
Segment result	480,806	76,349	557,155
Finance costs			(1,082)
Share of profits less losses of joint ventures	22,188	–	22,188
Profit before income tax			578,261
Income tax charge			(18,629)
Profit attributable to equity holders of the Company			559,632
Other items			
Depreciation	45	156	201
Revaluation gain on investment properties	463,290	–	463,290

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude interests in joint ventures and deferred income tax assets, and segment liabilities exclude deferred income tax liabilities and short term bank loans which are managed on a central basis.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and segment information *(cont'd)*

The segment assets and liabilities as at 31st December 2013 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,743,713	1,759,722	3,503,435
Interests in joint ventures	260,958	–	260,958
Unallocated assets			384
			<u>3,764,777</u>
Segment liabilities	43,525	2,427	45,952
Unallocated liabilities			71,572
			<u>117,524</u>

The segment assets and liabilities as at 31st December 2012 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,692,621	1,637,712	3,330,333
Interests in joint ventures	212,606	–	212,606
Unallocated assets			102
			<u>3,543,041</u>
Segment liabilities	43,242	2,731	45,973
Unallocated liabilities			101,048
			<u>147,021</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and segment information *(cont'd)*

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue from Hong Kong and from other countries for the year ended 31st December is analysed as follows:

	2013 HK\$'000	2012 HK\$'000
Hong Kong	68,736	61,637
United States of America	16,008	11,409
Europe	10,363	7,267
Taiwan	57,508	56,423
Other countries	3,036	3,980
	<u>155,651</u>	<u>140,716</u>

At 31st December 2013, the total of non-current assets other than financial instruments and deferred income tax assets located/operated in Hong Kong and in other places are as follows:

	2013 HK\$'000	2012 HK\$'000
Hong Kong	1,742,677	1,692,028
Mainland China	261,621	213,427
	<u>2,004,298</u>	<u>1,905,455</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

6 Expenses by nature

	2013 HK\$'000	2012 HK\$'000
Auditor's remuneration	1,315	1,315
Depreciation	209	201
Direct operating expenses arising from investment properties that		
– generated rental income	1,685	2,400
– did not generate rental income	89	139
Employee benefit expense (including directors' emoluments) (Note 7)	25,104	24,600
Management fee expense in respect of investment properties	9,967	9,360
Operating lease payments on land and buildings	3,556	2,860
Realised fair value loss on derivative financial instruments	–	12
Other	3,918	5,964
	45,843	46,851

7 Employee benefit expense

	2013 HK\$'000	2012 HK\$'000
Wages and salaries	24,679	24,207
Retirement benefit costs – defined contribution plans (Note a)	425	393
	25,104	24,600

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

Notes:

(a) Retirement scheme – defined contribution plans

The Group contributes to a defined contribution retirement scheme which is available to certain Hong Kong senior employees (“Senior Staff Scheme”). With effect from 1st December 2000, a mandatory provident fund scheme has been set up for the other eligible employees of the Group in Hong Kong. Contributions to the schemes by the Group are made at a certain percentage of basic monthly salary. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions to the Senior Staff Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There was no contribution forfeited during the year (2012: Nil). Contributions totaling HK\$28,000 (2012: HK\$28,000) were payable to the schemes at the year end, which are included in trade and other payables.

(b) Directors’ and senior management’s emoluments

The remuneration of every Director for the year ended 31st December 2013 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Other benefits [#] HK\$'000	Employer's contributions	Total HK\$'000
					to retirement scheme HK\$'000	
Mr. Rudolf Bischof	360	-	-	-	-	360
Mr. Hung Ching Yung	24	4,923	1,810	396	15	7,168
Mr. Lincoln C. K. Yung	24	4,923	1,810	248	15	7,020
Mr. James Julius Bertram	300	-	-	-	-	300
Mr. Robert Tsai To Sze	360	-	-	-	-	360
Mr. John Con-sing Yung	144	-	-	-	-	144
Ms. Jennie Chen	24	1,753	408	-	243	2,428
Total	1,236	11,599	4,028	644	273	17,780

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

(b) Directors' and senior management's emoluments *(cont'd)*

The remuneration of every Director for the year ended 31st December 2012 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Other benefits* HK\$'000	Employer's contributions to retirement scheme	Total HK\$'000
					HK\$'000	
Mr. Rudolf Bischof	360	-	-	-	-	360
Mr. Yun Cheng Wang	8	2,093	-	164	4	2,269
Mr. Hung Ching Yung	24	4,563	1,667	295	14	6,563
Mr. Lincoln C. K. Yung	24	4,563	1,667	230	14	6,498
Mr. James Julius Bertram	300	-	-	-	-	300
Mr. Robert Tsai To Sze	360	-	-	-	-	360
Mr. John Con-sing Yung	7	-	-	-	-	7
Ms. Jennie Chen	24	1,573	363	-	218	2,178
Total	1,107	12,792	3,697	689	250	18,535

* Other benefits include accommodation, medical expenses and motor vehicle expenses.

(c) Five highest paid individuals

The five highest paid individuals in the Group include 3 (2012: 4) Directors whose emoluments are reflected in the analysis presented in Note 7(b) above. The emoluments payable to the remaining individuals during the year are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, housing and other allowances and benefits in kind	2,707	1,788
Contributions to retirement scheme	30	14
	<u>2,737</u>	<u>1,802</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

8 Finance costs

	2013	2012
	HK\$'000	HK\$'000
Interest on bank loans	794	1,082
	794	1,082

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Withholding tax on dividends receivable from overseas investments including joint ventures has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

The amount of taxation charged to the consolidated income statement represents:

	2013	2012
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	2,484	1,422
Withholding tax	11,815	15,051
Over provision in prior years	(10)	(15)
	14,289	16,458
Deferred income tax (Note 26)	(2,451)	2,171
	11,838	18,629

The Group's share of income tax expense of joint ventures for the year amounted to HK\$11,642,000 (2012: HK\$9,562,000) and is included in the consolidated income statement as share of profits less losses of joint ventures.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

9 Income tax expense *(cont'd)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates, and the difference is set out below:

	2013 HK\$'000	2012 HK\$'000
Profit before income tax	174,042	578,261
Less: Share of profits of joint ventures	(14,558)	(22,188)
	159,484	556,073
Calculated at a tax rate of 16.5% (2012: 16.5%)	26,315	91,752
Income not subject to tax	(23,482)	(90,059)
Expenses not deductible for tax purposes	961	1,401
Over provision for current income tax in prior years	(10)	(15)
Effect of unrecognised temporary differences	72	6
Utilisation of previously unrecognised tax losses	(133)	(209)
Withholding tax on dividend income from overseas investments and undistributable profits from joint ventures	11,815	15,753
Reverse of deferred tax liability of withholding tax on undistributable profits from joint ventures	(3,316)	–
Recognition of previously unrecognised tax losses	(384)	–
	11,838	18,629

10 Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$111,688,000 (2012: HK\$24,984,000).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Earnings (HK\$'000)		
Profit attributable to owners of the Company	162,204	559,632
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	41,130	41,287
Earnings per share (HK\$)		
Basic and dilutive (Note)	3.94	13.55

Note:

The Company has no dilutive potential ordinary shares and basic earnings per share are equal to diluted earnings per share.

12 Dividends

	2013	2012
	HK\$'000	HK\$'000
2013 proposed final dividend of HK\$0.40 (2012: HK\$0.40) per share	16,451	16,451
2013 proposed special dividend of HK\$0.50 (2012: HK\$0.40) per share	20,564	16,451
	<u>37,015</u>	<u>32,902</u>

At a meeting held on 20th March 2014 the Directors proposed a final dividend of HK\$0.40 per share and a special dividend of HK\$0.50 per share representing a total dividend distribution of approximately HK\$37.02 million. These proposed dividends are to be approved by the shareholders at the Annual General Meeting on 23th May 2014 and are not reflected as dividends payable in these financial statements.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

13 Property, plant and equipment

Group	Properties HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st December 2013			
Opening net book amount	1,100	19	1,119
Addition	–	230	230
Depreciation	(189)	(20)	(209)
	<u>911</u>	<u>229</u>	<u>1,140</u>
Closing net book amount	<u>911</u>	<u>229</u>	<u>1,140</u>
At 31st December 2013			
Cost	6,089	2,450	8,539
Accumulated depreciation and impairment losses	(5,178)	(2,221)	(7,399)
	<u>911</u>	<u>229</u>	<u>1,140</u>
Net book amount	<u>911</u>	<u>229</u>	<u>1,140</u>
Year ended 31st December 2012			
Opening net book amount	1,287	33	1,320
Depreciation	(187)	(14)	(201)
	<u>1,100</u>	<u>19</u>	<u>1,119</u>
Closing net book amount	<u>1,100</u>	<u>19</u>	<u>1,119</u>
At 31st December 2012			
Cost	6,089	3,455	9,544
Accumulated depreciation and impairment losses	(4,989)	(3,436)	(8,425)
	<u>1,100</u>	<u>19</u>	<u>1,119</u>
Net book amount	<u>1,100</u>	<u>19</u>	<u>1,119</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

13 Property, plant and equipment *(cont'd)*

The Group's properties at their net book value are analysed as follows:

	2013	2012
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	248	279
	-----	-----
Outside Hong Kong, held on:		
Leases of over 50 years	276	298
Leases of between 10 and 50 years	387	523
	-----	-----
	663	821
	-----	-----
	911	1,100
	-----	-----

14 Investment properties

	Group	
	2013	2012
	HK\$'000	HK\$'000
At fair value		
Opening balance at 1st January	1,691,730	1,228,440
Fair value changes	50,470	463,290
	-----	-----
Closing balance at 31st December	1,742,200	1,691,730
	-----	-----

The Group's investment properties with an aggregate carrying value of HK\$1,633,000,000 (2012: HK\$1,603,000,000) have been mortgaged to a bank to secure general banking facilities of which HK\$53,000,000 (2012: HK\$80,000,000) was utilised as at 31st December 2013 (Note 25).

The Group's investment properties are held in Hong Kong on leases of between 10 and 75 years.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

14 Investment properties *(cont'd)*

Valuation processes of the Group

The basis of the valuation of investment properties is fair value being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The investment properties were revalued by Prudential Surveyors International Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31st December 2013. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This department reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

14 Investment properties *(cont'd)*

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed industrial and commercial properties in Hong Kong are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Significant inputs used to determine fair value

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for Hong Kong investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

At 31st December 2013, capitalisation rates of 2.80% to 2.90% and market rent of HK\$10.0 to HK\$17.2 are used in the income capitalisation method for Hong Kong completed industrial and commercial properties.

15 Investment in subsidiaries

	Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	378,782	378,782

Particulars of the subsidiaries are included in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

16 Joint ventures

	2013 HK\$'000	2012 HK\$'000
Share of net assets	250,630	202,278
Equity loan to a joint venture (Note a)	10,328	10,328
	260,958	212,606

The following is a list of the joint ventures indirectly held by the Company as at 31st December 2013:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Attributable interest to the Group		
			Equity interest	Profit sharing	Voting power
China Able Limited (Note b)	British Virgin Islands, limited liability company	Investment holding in the People's Republic of China	33.33%	33.33%	33.33%
Changyu (Shanghai) Real Estate Management Co Ltd	People's Republic of China, limited liability company	Property investment in the People's Republic of China	33.33%	33.33%	33.33%
Shanghai Sung Nan Textile Co., Ltd (Note c)	People's Republic of China, limited liability company	Property investment in the People's Republic of China	64.68%	64.68%	57%
Southern Textile Company Limited	People's Republic of China, limited liability company	Property investment in the People's Republic of China	45%	45%	43%

Notes:

- (a) The loan to a joint venture is equity in nature, unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

16 Joint ventures *(cont'd)*

Notes: *(cont'd)*

- (b) On 24th January 2014, a subsidiary of China Able Limited entered into a framework agreement (the “Agreement”) with a third party to dispose of its wholly owned subsidiary at a consideration of RMB653 million (approximately HK\$841 million) (the “Transaction”).

There are several pre-completion conditions stipulated in the Agreement to be fulfilled in order to complete the Transaction. The expected gain attributable to the Group from the Transaction is approximately HK\$60 million when it is completed.

- (c) Since unanimous consent of all the parties sharing control is required for resolution of important strategic decisions including financial and operating, the investment was classified as joint venture even though the Group has a 57% voting interest.

The following amounts represent the Group’s aggregate share of the assets and liabilities, and results of the joint ventures:

	2013 HK\$'000	2012 HK\$'000
Assets		
Non-current assets	108,398	316,032
Current assets	309,197	30,119
	417,595	346,151
Liabilities		
Non-current liabilities	30,246	111,621
Current liabilities	136,719	32,252
	166,965	143,873
Net assets	250,630	202,278
Revenue	42,709	52,694
Profit after income tax	14,558	22,188

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

16 Joint ventures *(cont'd)*

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures.

	2013	2012
	HK\$'000	HK\$'000
The Group's share of capital commitments of joint ventures is as follows:		
Authorised but not contracted for	–	3,217
Contracted but not provided for	–	4,008
	<hr/>	<hr/>
	–	7,225
	<hr/>	<hr/>

There are no contingent liabilities relating to the Group's interest in its joint ventures.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

17 Financial instruments by category

Group

	Loans and receivables HK\$'000	Assets at fair value through profit and loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
31st December 2013				
Assets as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,431,326	1,431,326
Financial assets at fair value through profit or loss	–	253,116	–	253,116
Trade and other receivables (excluding deposits and prepayments)	11,851	–	–	11,851
Cash and cash equivalents	55,759	–	–	55,759
	<u>67,610</u>	<u>253,116</u>	<u>1,431,326</u>	<u>1,752,052</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

17 Financial instruments by category *(cont'd)*

Group

	Loans and receivables HK\$'000	Assets at fair value through profit and loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
31st December 2012				
Assets as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,342,745	1,342,745
Financial assets at fair value through profit or loss	–	212,093	–	212,093
Trade and other receivables (excluding deposits and prepayments)	8,522	–	–	8,522
Cash and cash equivalents	66,722	–	–	66,722
	<u>75,244</u>	<u>212,093</u>	<u>1,342,745</u>	<u>1,630,082</u>

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

17 Financial instruments by category *(cont'd)*
Group

Financial
liabilities at
amortised
cost
HK\$'000

31st December 2013
Liabilities as per consolidated balance sheet

Short term bank loans	53,000
Trade and other payables (excluding statutory provisions, rental and management fee deposits)	25,207
	78,207

31st December 2012
Liabilities as per consolidated balance sheet

Short term bank loans	80,000
Trade and other payables (excluding statutory provisions, rental and management fee deposits)	26,771
	106,771

Company

	Loans and receivables 2013	2012
	HK\$'000	HK\$'000
Assets as per balance sheet		
Trade and other receivables	151,717	83,104
Cash and cash equivalents	1,791	1,614
	153,508	84,718

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

17 Financial instruments by category *(cont'd)*

Company

Financial liabilities
at amortised cost
2013 2012
HK\$'000 HK\$'000

Liabilities as per balance sheet

Trade and other payables	47,922	53,603
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18 Available-for-sale financial assets

Group
2013 2012
HK\$'000 HK\$'000

At 1st January	1,342,745	1,386,402
Disposals	(267)	(85)
Exchange gains/(losses)	3,903	(2,585)
Net fair value gains/(losses) recognised in equity	84,945	(40,987)

At 31st December	1,431,326	1,342,745
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Group
2013 2012
HK\$'000 HK\$'000

Listed equity securities – Hong Kong	7,989	7,629
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Unlisted securities		
– Equity securities	1,422,489	1,333,973
– Venture capital funds	848	1,143

	1,423,337	1,335,116
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	1,431,326	1,342,745
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N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

18 Available-for-sale financial assets *(cont'd)*

The available-for-sale financial assets are denominated in the following currencies:

	Group	
	2013	2012
	HK\$'000	HK\$'000
New Taiwan dollars	1,422,489	1,333,973
Others	8,837	8,772
	1,431,326	1,342,745

At 31st December 2013, available-for-sale financial assets of HK\$697,000 (2012: HK\$697,000) were impaired and fully provided for.

At 31st December 2013, the carrying amount of interests in the following company exceed 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Group equity interest
The Shanghai Commercial & Savings Bank, Ltd.	Taiwan	Commercial banking business	3,715,791,615 ordinary shares of NT\$10 each	4.0%

The fair value of all securities is based on their current bid prices in an active market.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

19 Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (Note c)	201	243	–	–
Other receivables, prepayments and deposits	8,043	7,402	260	247
Amounts due from				
– a subsidiary (Note a)	–	–	151,457	82,857
– a joint venture (Note a)	11,650	8,279	–	–
	19,894	15,924	151,717	83,104

Notes:

- (a) The amounts due from a subsidiary and a joint venture are unsecured, interest free and repayable on demand.
- (b) The carrying amounts of trade and other receivables approximate their fair values.
- (c) The Group does not grant any credit term to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31st December 2013, the aging analysis of the trade receivables is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within 30 days	160	217
31–60 days	41	26
	201	243

There is no concentration of credit risk with respect to trade receivables.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

20 Financial assets at fair value through profit or loss

	Group	
	2013	2012
	HK\$'000	HK\$'000
Listed equity securities:		
– Hong Kong	22,713	21,157
– outside Hong Kong	180,923	119,277
	203,636	140,434
Listed debt securities outside Hong Kong	49,480	71,659
	253,116	212,093

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows (Note 27).

Changes in fair values of financial assets at fair value through profit or loss are recorded in revenue in the consolidated income statement (Note 5).

The fair value of all equity securities is based on their current bid prices in an active market.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

20 Financial assets at fair value through profit or loss *(cont'd)*

The financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Euro	52,297	28,139
Japanese yen	10,057	7,376
Hong Kong dollars	22,713	21,157
United States dollars	166,573	154,001
Others	1,476	1,420
	253,116	212,093

21 Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and on hand	55,759	66,722	1,791	1,614

The carrying amounts of cash and cash equivalents are mainly denominated in United States dollars and Hong Kong dollars.

Maximum exposure to credit risk is HK\$55,759,000 (2012: HK\$66,722,000).

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

22 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 31st December 2012 and 31st December 2013	60,000,000	6,000
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1st January 2012, 31st December 2012 and 1st January 2013	41,287,299	4,129
Repurchase of own shares and shares cancelled	(159,500)	(16)
At 31st December 2013	41,127,799	4,113

The Company repurchased 44,000 and 115,500 of its own shares on 4th January 2013 and 7th January 2013 respectively at a total consideration of HK\$4,315,425 through purchases on The Stock Exchange of Hong Kong Limited pursuant to the general mandate granted to the Directors at the annual general meeting held on 18th May 2012.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

23 Reserves Group

	Contributed surplus HK\$'000	Available- for-sale investments reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory and other reserves HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1st January 2013	2,459	997,403	25,670	1,000	76,000	14,246	27,026	871	2,247,216	3,391,891
Fair value gains on available-for-sale investments	-	84,945	-	-	-	-	-	-	-	84,945
Currency translation differences	-	-	-	-	-	-	10,796	-	-	10,796
Shares repurchased and cancelled (Note 22)	-	-	-	-	-	-	-	16	(4,315)	(4,299)
2012 final dividend	-	-	-	-	-	-	-	-	(16,451)	(16,451)
2012 special dividend	-	-	-	-	-	-	-	-	(16,451)	(16,451)
Profit for the year	-	-	-	-	-	-	-	-	162,204	162,204
Share of property revaluation reserve of a joint venture, net of tax	-	-	30,505	-	-	-	-	-	-	30,505
Transfer to statutory reserves of a joint venture	-	-	-	-	-	392	-	-	(392)	-
At 31st December 2013	2,459	1,082,348	56,175	1,000	76,000	14,638	37,822	887	2,371,811	3,643,140

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

23 Reserves *(cont'd)* Group

	Contributed surplus HK\$'000	Available- for-sale investments reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory and other reserves HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1st January 2012	2,459	1,038,390	25,670	1,000	76,000	13,880	25,989	871	1,708,594	2,892,853
Fair value gains on available-for-sale investments	-	(40,987)	-	-	-	-	-	-	-	(40,987)
Currency translation differences	-	-	-	-	-	-	1,037	-	-	1,037
2011 final dividend	-	-	-	-	-	-	-	-	(16,515)	(16,515)
2011 special dividend	-	-	-	-	-	-	-	-	(4,129)	(4,129)
Profit for the year	-	-	-	-	-	-	-	-	559,632	559,632
Transfer to statutory reserves of a joint venture	-	-	-	-	-	366	-	-	(366)	-
At 31st December 2012	2,459	997,403	25,670	1,000	76,000	14,246	27,026	871	2,247,216	3,391,891

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

23 Reserves *(cont'd)*

Company

	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2013	356,241	871	48,656	405,768
Profit for the year	–	–	111,688	111,688
Shares repurchased and cancelled (Note 22)	–	16	(4,315)	(4,299)
2012 final dividend (Note 12)	–	–	(16,451)	(16,451)
2012 special dividend (Note 12)	–	–	(16,451)	(16,451)
	<u>356,241</u>	<u>887</u>	<u>123,127</u>	<u>480,255</u>
At 31st December 2013	<u>356,241</u>	<u>887</u>	<u>123,127</u>	<u>480,255</u>
At 1st January 2012	356,241	871	44,316	401,428
Profit for the year	–	–	24,984	24,984
2011 final dividend (Note 12)	–	–	(16,515)	(16,515)
2011 special dividend (Note 12)	–	–	(4,129)	(4,129)
	<u>356,241</u>	<u>871</u>	<u>48,656</u>	<u>405,768</u>
At 31st December 2012	<u>356,241</u>	<u>871</u>	<u>48,656</u>	<u>405,768</u>

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited (“NCML”) in exchange for the Company’s new shares issued. The Group’s contributed surplus represents the difference between the nominal value of NCML’s shares and the nominal value of the Company’s shares issued pursuant to the group reorganisation less subsequent distribution. The Company’s contributed surplus represents the difference between the nominal value of the Company’s shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

23 Reserves *(cont'd)*

Statutory reserves are created in accordance with the terms of the joint venture agreements of the joint ventures established in the People's Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31st December 2013 comprise statutory surplus reserve of HK\$7,319,000 (2012: HK\$7,123,000) and enterprise development reserve of HK\$7,319,000 (2012: HK\$7,123,000) which are appropriated from the retained profits of the joint ventures.

General reserve arose from transfers from retained profits and has no specific purpose.

24 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note a)	2,002	2,031	–	–
Rental and management fee deposits	14,293	13,441	–	–
Other payables and accruals	28,614	29,283	1,726	2,050
Amount due to a joint venture (Note b)	15	58	–	–
Amount due to a subsidiary (Note b)	–	–	46,196	51,553
	44,924	44,813	47,922	53,603

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

24 Trade and other payables *(cont'd)*

Notes:

- (a) At 31st December 2013, the aging analysis of the trade payables is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within 30 days	1,662	1,691
31–60 days	340	340
	2,002	2,031

- (b) The amounts due to a joint venture and a subsidiary are unsecured, interest free and have no fixed terms of repayment.
- (c) The carrying amounts of trade and other payables approximate their fair values.

25 Short term bank loans

The short term bank loans as at 31st December 2013 were secured by the Group's investment properties (Note 14) and bore interest at 0.75% (2012: 0.75%) per annum over 1, 2 or 3 months Hong Kong Interbank Offered Rate. The loans were denominated in Hong Kong dollars and had an effective interest rate of 0.96% (2012: 1.01%) per annum at 31st December 2013. The carrying amounts of the loans approximated their fair values.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

26 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2012: 16.5%).

	Group	
	2013	2012
	HK\$'000	HK\$'000
Deferred income tax assets		
– to be recovered after more than 12 months	307	101
– to be recovered within 12 months	77	1
	384	102
	384	102
Deferred income tax liabilities		
– to be settled after more than 12 months	(21,048)	(19,581)
– to be settled within 12 months	2,476	(1,467)
	(18,572)	(21,048)
	(18,572)	(21,048)
	(18,188)	(20,946)

The gross movement on the deferred income tax account is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Balance at 1st January	(20,946)	(18,716)
Tax credited/(charged) to the consolidated income statement (Note 9)	2,451	(2,171)
Exchange translation difference	307	(59)
	(18,188)	(20,946)
At 31st December	(18,188)	(20,946)

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

26 Deferred income tax *(cont'd)*

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation HK\$'000	Group Undistributed profits of joint ventures HK\$'000	Total HK\$'000
At 1st January 2013	(17,425)	(3,623)	(21,048)
Exchange translation difference (Credited)/charged to the consolidated income statement	– (1,147)	307 3,316	307 2,169
	<u>(18,572)</u>	<u>–</u>	<u>(18,572)</u>
At 31st December 2013			
At 1st January 2012	(15,957)	(2,862)	(18,819)
Exchange translation difference Charged to the consolidated income statement	– (1,468)	(59) (702)	(59) (2,170)
	<u>(17,425)</u>	<u>(3,623)</u>	<u>(21,048)</u>
At 31st December 2012			

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

26 Deferred income tax *(cont'd)*

Deferred income tax assets:

	Accelerated accounting depreciation HK\$'000	Group Tax losses HK\$'000	Total HK\$'000
At 1st January 2012	103	–	103
Charged to the consolidated income statement	(1)	–	(1)
At 31st December 2012 and 1st January 2013	102	–	102
Charged to the consolidated income statement	(102)	384	282
At 31st December 2013	–	384	384

Deferred income tax assets are recognised for tax losses carried forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of HK\$1,322,000 (2012: HK\$1,839,000) in respect of tax losses amounting to HK\$8,014,000 (2012: HK\$11,147,000). These tax losses have no expiry date.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

27 Notes to the consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	2013 HK\$'000	2012 HK\$'000
Operating profit	160,278	557,155
Dividend income from available-for-sale financial assets	(57,696)	(56,595)
Exchange translation differences	(58)	84
Depreciation	209	201
Changes in fair value of investment properties	(50,470)	(463,290)
	52,263	37,555
Operating profit before working capital changes	52,263	37,555
Increase in trade and other receivables	(3,970)	(2,865)
Increase in financial assets at fair value through profit or loss	(41,023)	(29,559)
Decrease in derivative financial assets	–	32
Decrease in derivative financial liabilities	–	(417)
Increase/(decrease) in trade and other payables	111	(1,643)
	7,381	3,103
Net cash generated from operations	7,381	3,103

(b) Dividends received from joint venture and available-for-sale financial assets:

	2013 HK\$'000	2012 HK\$'000
Dividends received	60,901	59,577
Withholding tax paid	(11,815)	(15,051)
	49,086	44,526
	49,086	44,526

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

28 Operating leases commitments

At 31st December, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Not later than one year	3,153	294
Later than one year and not later than five years	3,810	–
	6,963	294

29 Future rental receivables

At 31st December, minimum lease rentals under non-cancellable operating leases of the investment properties not recognised in the financial statements as receivables are as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within one year	44,906	40,143
Later than one year but not later than 5 years	37,946	47,446
	82,852	87,589

30 Related-party transactions

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

Key management compensation

	2013	2012
	HK\$'000	HK\$'000
Salaries and other short term employee benefits	18,128	19,046
Contributions to retirement schemes	288	264
	18,416	19,310

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 Subsidiaries

Details of the subsidiaries as at 31st December 2013 are as follows:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2013	2012
Bright Honest Investment Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	50,000 shares of US\$1 each	100%	100%
Cottage Investments Co SA	Panama, limited liability company	Hong Kong	Investment holding	100 common shares without par value issued at US\$10 each and 100 common shares of US\$10 each	100%	100%
+ Culvert Investments Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares of US\$1 each	100%	100%
East Coast Investments Ltd	Hong Kong, limited liability company	Hong Kong	Investment trading	2 ordinary shares of US\$1 each	100%	100%
Highriver Estates Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	2 ordinary shares of HK\$1 each	100%	100%
Infinity Peace Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares without par value issued at US\$1 each	100%	100%
Mepal International Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	3 ordinary shares of HK\$1 each	100%	100%
Merry Co Inc	Liberia, limited liability company	The People's Republic of China	Property Holding	1 share without par value issued at US\$1,000	100%	100%
Nanyang Cotton Mill Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares of HK\$1 each	100%	100%
Nanyang Industrial (China) Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

31 Subsidiaries *(cont'd)*

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2013	2012
Nanyangetextile.com Ltd	Hong Kong, limited liability company	Hong Kong	Inactive	2 ordinary shares of HK\$1 each	100%	100%
Peninsular Inc	Liberia, limited liability company	Hong Kong	Investment holding	1 share without par value issued at HK\$10,000	100%	100%
Peninsular Yarn and Fabric Merchandising Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	1,000 ordinary shares of HK\$1 each	100%	100%
Velden Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding and trading	10,000 ordinary shares of US\$1 each	100%	100%

+ Subsidiary held directly by the Company.

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31st December 2013 and 2012

Investment properties

Description	Lot number	Type	Lease term	Group's Interest
Units 2006-2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%
Units A-D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%