Vanke Property (Overseas) Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01036)

2013 Annual Report

This annual report is printed on environmentally friendly paper

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

ZHANG Xu
QUE Dong Wu

Non-Executive Directors

WANG Wen Jin
CHAN Chi Yu

Independent Non-Executive Directors

CHAN Wai Hei, William
CHUNG Wai Sum, Patrick
SHIUM Soon Kong

AUDIT COMMITTEE

CHAN Wai Hei, William *(Chairman)*
WANG Wen Jin
CHUNG Wai Sum, Patrick

REMUNERATION COMMITTEE

SHIUM Soon Kong *(Chairman)*
QUE Dong Wu
CHAN Wai Hei, William

NOMINATION COMMITTEE

CHUNG Wai Sum, Patrick *(Chairman)*
ZHANG Xu
SHIUM Soon Kong

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

LUK Chi Chung, Peter

AUDITOR

KPMG

LEGAL ADVISORS TO THE COMPANY

Reed Smith Richards Butler *(as to Hong Kong Laws)*
Maples and Calder *(as to Cayman Islands Laws)*

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Xu, aged 50, was appointed Executive Director of Vanke Property (Overseas) Limited (the "Company" and together with its subsidiaries, the "Group") in July 2012. He is also a member of the Nomination Committee of the Company. Mr. Zhang joined China Vanke Co., Ltd. ("China Vanke"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), in November 2002. He is currently a Vice President of China Vanke responsible for investment and operation. Mr. Zhang has over 15 years of experience in real estate business. He graduated from Troy State University, United States in June 2001 with a Professional Master of Business Administration.

Ms. Que Dong Wu, aged 47, was appointed Executive Director of the Company in July 2012. She is also a member of the Remuneration Committee of the Company. Ms. Que joined China Vanke, a substantial shareholder of the Company within the meaning of Part XV of the SFO, in May 1993 and is currently the Managing Director of the Hong Kong Division of China Vanke responsible for China Vanke's operation in Hong Kong. She is also a member of the Project Approval Decision Committee and the Project Operation Committee of China Vanke. Ms. Que has over 15 years of experience in corporate finance and real estate investment. She graduated from Fudan University, PRC in July 1999 with a Master of Economics.

NON-EXECUTIVE DIRECTORS

Mr. Wang Wen Jin, aged 47, was appointed Non-Executive Director of the Company in July 2012. He is also a member of the Audit Committee of the Company. Mr. Wang joined China Vanke, a substantial shareholder of the Company within the meaning of Part XV of the SFO, in November 1993 and is currently an Executive Vice President of China Vanke responsible for financial controlling. He is also a member of the Project Approval Decision Committee and the Project Operation Committee of China Vanke. Mr. Wang has over 15 years of experience in finance and investment. He graduated from Zhongnan University of Economics (currently known as Zhongnan University of Economics and Law), PRC in June 1994 with a Master of Economics and was certified as a Registered Accountant of the PRC in May 1998.

Mr. Chan Chi Yu, aged 59, was appointed Non-Executive Director of the Company in July 2012. Mr. Chan was a director of China Vanke, a substantial shareholder of the Company within the meaning of Part XV of the SFO from May 1997 to April 2008 and has become a consultant of China Vanke since April 2008. Mr. Chan has received various training in accounting, business administration, corporate governance and security brokerage. He is also an independent non-executive director of eprint Group Limited (Stock code: 01884). He is a fellow member of The Hong Kong Institute of Directors, a full member of The Hong Kong Management Association and also an affiliated member of The Association of International Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Hei, William, aged 56, was appointed Independent Non-Executive Director of the Company in September 2012. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan has over 30 years of experience in accounting and finance. He has been working for Messrs. Li, Tang, Chen & Co., Certified Public Accountants (Practicing) since June 1980 and has been admitted as a partner from April 1989. Mr. Chan graduated from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 1980 with a Diploma in Accounting. Mr. Chan was the President of The Hong Kong Institute of Accredited Accounting Technicians Limited (which is a wholly-owned subsidiary of the Hong Kong Institute of Certified Public Accountants) from 1992 to 1995. Mr. Chan is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, a member of The Society of Chinese Accountants and Auditors of Hong Kong, a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Taxation Institute of Hong Kong and a fellow member of The Hong Kong Institute of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Chung Wai Sum, Patrick, aged 65, was appointed Independent Non-Executive Director of the Company in September 2012. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. Mr. Chung has over 30 years of experience in real estate development. Mr. Chung joined CITIC Pacific Limited (Stock code: 00267) in 1992 and was an executive director responsible for the company's property, environmental and infrastructure development in Hong Kong and Shanghai. He was also a founding director of substantial developments such as the Western Harbour Tunnel, the South East New Territories Land Fill, the Festival Walk, CITIC Tower and was an executive director of Hong Kong Resort Company Limited (the developer of Discovery Bay, which is a 640 hectares new town on Lantau Island, Hong Kong). Mr. Chung joined HKC (Holdings) Limited (Stock code: 00190) in June 2011 and was an executive director and the managing director of HKC (Holdings) Limited until his recent retirement on 1 July 2013. Privately he has devoted his time to community service. He was the Chairman of The Adventure-Ship from 2005 to 2010. Mr. Chung obtained a Master of Science Degree (Real Estate) from The University of Hong Kong in December 2005. He is a fellow of The Royal Institution of Chartered Surveyors (United Kingdom), The Institute of Chartered Secretaries and Administrators (United Kingdom) and The Hong Kong Institute of Chartered Secretaries.

Mr. Shium Soon Kong, aged 59, was appointed Independent Non-Executive Director of the Company in September 2012. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Shium has over 30 years of experience in real estate investment and operations. Mr. Shium started his career with Singapore's public housing authority, the Housing and Development Board. He was a Principal Officer in its Estates & Lands Division when he left in 1995. In the same year, he joined Pidemco Land Limited (the predecessor of CapitaLand Limited) as Vice President until early 1999. He subsequently joined Xin Rou Properties Pte. Ltd., a Singapore real estate company, as the director for its real estate investment portfolio from 1999 to 2001. Mr. Shium was the Senior Vice President in GIC Real Estate Pte. Ltd. from 2001 to 2008; and was the President of Ping An Real Estate Co., Ltd. from January 2009 till early 2012. Currently, he is a director of Thong Ching Pte. Ltd., an investment company in Singapore, and the director for business development in Raffles Medical Group, an integrated medical and healthcare company registered in Singapore and listed on the Singapore Exchange Limited (SGX). Mr. Shium obtained a Bachelor of Science Honours Degree in Estate Management from The University of Singapore (the predecessor of National University of Singapore) in May 1979 and a Master of Science Degree in Urban Land Appraisal from University of Reading in the United Kingdom in December 1982.

SENIOR MANAGEMENT

Mr. Luk Chi Chung, Peter, aged 49, is the Chief Financial Officer and the Company Secretary of the Company. Mr. Luk joined the Company as the Chief Financial Officer in June 2008, left in July 2012 and was re-employed as the Chief Financial Officer of the Company in November 2012. He was further appointed as the Company Secretary of the Company in December 2013. He has over 25 years of experience in the accounting field. He holds a Bachelor Degree in Mathematics from The University of Hong Kong in November 1986 and a Master's Degree in Business Administration from the Australian Graduate School of Management in June 2001. Mr. Luk is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Taxation Institute of Hong Kong, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Management Discussion and Analysis

BUSINESS REVIEW

The Group's turnover is derived from the leasing of units and car parking spaces in Regent Centre. Turnover for the year was HK$83 million (2012: HK$78 million), representing an increase of 6%. The increase was mainly due to improved leasing performance of Regent Centre.

The Group's investment in Regent Centre was fair valued at HK$1,385 million at 31 December 2013 (2012: HK$1,260 million), resulting in a fair value gain of HK$125 million for the year (2012: HK$130 million). Excluding the change in fair value of Regent Centre, the Group's underlying profit for the year from continuing operations was HK$26 million (2012: HK$33 million), representing a decrease of 21%. The decrease was mainly due to increase in borrowing costs to finance the acquisition of a 20% interest in a West Rail property development project situated at the Tsuen Wan Town Lot No. 402 (the "TW6 Project").

As a result of the change of controlling shareholder of the Company, all businesses, other than those relating to the holding of units and car parking spaces in Regent Centre, were distributed to the former controlling shareholder of the Company in July 2012 (the "Discontinued Operations"). Profit in the prior year deriving from the Discontinued Operations amounted to HK$345 million.

Rental and property management

The Group's investment properties comprise various portions of Regent Centre (the "Property"), which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong. The Group owns a total gross floor area of approximately 657,000 square feet, representing approximately 64% of the total gross floor area in Regent Centre.

During the year, the Group renewed a majority of the leases at a positive rental reversion. Together with new leases being concluded, occupancy of the Property increased to 97% at 31 December 2013 (2012: 93%). Passing rent of the Property also improved to HK$8.3 psf at 31 December 2013 (2012: HK$7.9 psf).

Segment profit after deducting property management fees, carpark management expenses, leasing commission and other operating expenses but before change in fair value of investment properties amounted to HK$61 million for the year (2012: HK$59 million).

Property development

On 16 May 2013, the Group entered into an agreement to acquire the entire issued share capital of Wkdeveloper Limited ("Wkdeveloper") and all related shareholder's loan from Vanke Property (Hong Kong) Company Limited ("Vanke HK"), an intermediate holding company of the Company. Wkdeveloper legally and beneficially holds 20% equity interest in Ultimate Vantage Limited ("Ultimate Vantage"), which has been granted the right to develop the TW6 Project in January 2013. The acquisition of the 20% interest in the TW6 Project was completed in August 2013 at a total consideration of HK$727.9 million (the "Acquisition"), of which HK$150 million has been deferred until distribution of loan proceeds from Ultimate Vantage. New World Development Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and independent from the Group, owns the remaining 80% interest in the project.

The TW6 Project involves the non-industrial development of a land lot located near the West Rail Tsuen Wan West Station having a site area of approximately 13,804 square metres and a maximum developable gross floor area for the residential portion of 62,711 square metres. The total number of residential units available in the development shall not be less than 894, of which not less than 520 residential units shall each be in the size of not exceeding 50 square metres in saleable area. Foundation works for the TW6 Project will soon commence.

The Acquisition was in line with the Company's plan to expand its business from property investment to property development and investment so as to broaden its income source for the purpose of creating more value for the shareholders of the Company. The Acquisition constituted a major and connected transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21 June 2013.

For details of the Acquisition, please refer to the Company's announcement dated 16 May 2013 and the Company's circular dated 4 June 2013.

FINANCIAL REVIEW

Gearing

The Group's gearing, calculated as a percentage of total liabilities of HK$720 million (2012: HK$49 million) to total assets of HK$2,143 million (2012: HK$1,328 million), was 34% at 31 December 2013 (2012: 4%). The increase was mainly due to draw down of bank loans to finance the Acquisition.

Liquidity and debt maturity profile

The Group had total banking facility of HK$600 million at the beginning of the year, of which HK$530 million had been utilised to finance the Acquisition. Total available cash resources, comprising bank balances and cash and undrawn banking facilities, amounted to HK$91 million at 31 December 2013 (2012: HK$650 million).

Included in the amount due to an intermediate holding company is an interest-bearing debt of HK$150 million arising from the Acquisition, which is repayable only upon distribution of loan proceeds from Ultimate Vantage to its shareholders.

Total interest-bearing debts at 31 December 2013 amounted to HK$665.5 million (2012: nil), of which HK$155.5 million is repayable within 2014 and the balance of HK$510 million in December 2015. The Group will consider refinancing the bank loan as and when appropriate to lengthen the debt maturity profile and to replenish the cash resources of the Group.

Taking into account the expected cash inflows to be generated from leasing of the Property and the shareholder's loan to be partially repaid by Ultimate Vantage, the Directors are of the opinion that, in the absence of unforeseen circumstances, the Group would have sufficient working capital for its current requirements.

Treasury policies

The Group operates in Hong Kong and all its assets and liabilities are denominated in Hong Kong dollar. As a result, it has no exposure to foreign exchange rate fluctuation. The Group's bank borrowings bear interest at floating rate. The Group reviews its interest rate exposure on a regular basis and, if appropriate, will consider entering into interest rate swap contracts to hedge the exposure to the extent required.

Capital commitments

The Group had no significant capital commitments at 31 December 2013 (2012: nil).

Contingent liabilities and financial guarantees

The Group had no significant contingent liabilities and financial guarantees at 31 December 2013 (2012: nil).

Pledge of assets

The Group's investment properties with a carrying value of HK$1,385 million at 31 December 2013 (2012: HK$1,260 million) were pledged to secure banking facilities of the Group.

EMPLOYEES

The Group had two employees at 31 December 2013 (2012: nil).

All former employees were employed by companies within the Discontinued Operations. To ensure continuing operation of the Group's existing businesses without interruption, the Group entered into a management agreement with a wholly-owned subsidiary of Wing Tai Properties Limited ("Wing Tai"), the former controlling shareholder of the Company, on 18 June 2012 regarding the provision of administrative, property management, agency and leasing services to the Group. On 1 November 2013, the Group entered into a new management agreement with Wing Tai, terminating the provision of administrative services but retaining the property management, agency and leasing services at renewed terms. Total fees payable by the Group for such services amounted to HK$5.3 million for the year (2012: HK$2.2 million).

EMPLOYEES *(continued)*

Vanke HK as an intermediate holding company of the Company provides administrative and management services to the Group on a cost basis pursuant to the terms of a management agreement dated 19 July 2013. Total fees payable by the Group for such services amounted to HK$4.4 million for the year (2012: nil).

The Executive Directors will review the organisational structure of the Group from time to time to ensure that it is optimal to the business needs of the Group. Should there be employees recruited under the Group, their remuneration and benefit packages will be structured on market terms with regard to individual responsibility and performance. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

OUTLOOK

In July 2012, China Vanke, the largest residential property developer in Mainland China, acquired a controlling stake in the Company. All businesses, other than holding of units and car parking spaces in Regent Centre, had been distributed to the former controlling shareholder of the Company. Since then, China Vanke has been evaluating different alternatives to expand the business of the Group.

In May 2013, China Vanke decided that it would be beneficial for the Group to participate in property development activities in Hong Kong through acquiring the TW6 Project from Vanke HK. The Directors concurred with the Acquisition in view of the expected prosperity of the property market in Hong Kong and the favorable location of the site just adjacent to the West Rail Tsuen Wan West Station.

Through expanding its activity to property development and the ongoing support from China Vanke, the Directors are optimistic about the future prospects of the Group. Depending on financial resources available, the Group will continue to consider further property development and investment opportunities but will only do so in a financially prudent manner.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.03 per share (2012: HK$0.03 per share). Subject to the passing of the relevant resolution at the Annual General Meeting of the Company to be held on 22 May 2014 (the "2014 AGM"), the final dividend will be payable to the shareholders on or about 6 June 2014.

On behalf of the Board

Zhang Xu
Director

Hong Kong, 25 February 2014

Report of the Directors

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The names, particulars and principal activities of its subsidiaries are set out on page 76. The name, particulars and principal activity of its associate are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 27.

During the board meeting on 25 February 2014, the Directors recommended a final dividend for the year ended 31 December 2013 of HK$0.03 per share (2012: HK$0.03 per share) totalling HK$7,791,000, which will be payable on or about 6 June 2014 if approved by the shareholders at the 2014 AGM.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 and note 23 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Total distributable reserves of the Company, as represented by the retained profits of the Company, amounted to HK$350,869,000 as at 31 December 2013.

PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Movements in plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements respectively.

Particulars of the properties held by the Group as at 31 December 2013 are set out on page 77.

PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2013 are set out in notes 20 and 21 to the financial statements.

MANAGEMENT CONTRACTS

On 18 June 2012, the Group entered into an agreement relating to the provision of administrative, property management, agency and leasing services with a wholly-owned subsidiary of Wing Tai Properties Limited ("Wing Tai Group"), the former controlling shareholder of the Company, in a manner and on terms consistent with the provision of such services over the period of twelve months immediately preceding 13 May 2012, the date of the agreement relating to the change of controlling shareholder of the Company. On 1 November 2013, the Group entered into an agreement terminating the provision of administrative services but retaining the property management, agency and leasing services provided by Wing Tai Group at market terms. The agreement is terminable by either party on giving no less than three months' notice. Total fees payable by the Group for such services amounted to HK$5,273,000 for the year (2012: HK$2,246,000).

On 19 July 2013, the Group entered into an agreement with Vanke HK relating to the sharing of administrative services on a cost basis for a period of three years commencing from 1 January 2013, which is terminable by either party on giving no less than one month's notice. Total fees payable by the Group for such services amounted to HK$4,390,000 for the year (2012: nil).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Zhang Xu
Que Dong Wu

Non-Executive Directors

Wang Wen Jin
Chan Chi Yu

Independent Non-Executive Directors

Chan Wai Hei, William
Chung Wai Sum, Patrick
Shium Soon Kong

Pursuant to Article 99 of the Company's Articles of Association, Mr. Wang Wen Jin and Mr. Chan Chi Yu will retire at the 2014 AGM and, being eligible, offer themselves for re-election.

Pursuant to Article 116 of the Company's Articles of Association, Ms. Que Dong Wu and Mr. Chan Wai Hei, William will retire by rotation at the 2014 AGM and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Group are set out on pages 3 to 4.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2013, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interests in the Company

	Number of ordinary shares held					
Name of Director	**Interests held as beneficial owner**	**Interests held by spouse**	**Interests held by controlled corporations**	**Other interests**	**Total interests**	**Percentage of issued share capital**
Chung Wai Sum, Patrick	200,000	–	–	–	200,000	0.08%

Note:

1. *The total number of ordinary shares of the Company in issue as at 31 December 2013 was 259,685,288.*

(b) Interests in an associated corporation, China Vanke

		Number of ordinary shares held						
Name of Director	**Types of shares**	**Interests held as beneficial owner**	**Interests held by spouse**	**Interests held by controlled corporations**	**Other interests**	**Number of underlying shares held under equity derivatives** *(Note 1)*	**Total Interests**	**Percentage of issued share capital** *(Note 2)*
Zhang Xu	A shares	659,039	–	–	–	550,000	1,209,039	0.01%
Que Dong Wu	A shares	1,475,700	–	–	–	450,000	1,925,700	0.02%
Wang Wen Jin	A shares	2,223,591	–	–	–	1,320,000	3,543,591	0.04%
Chan Chi Yu	A shares	300,000	–	–	–	–	300,000	0.003%
	B shares	–	–	500,203	–	–	500,203	0.04%

Notes:

1. *These represented interests in shares options granted by China Vanke to its directors and employees as beneficial owners, details of which are set out in the sub-section (c) headed "Underlying shares in China Vanke".*

2. *The total number of ordinary A shares of China Vanke in issue as at 31 December 2013 was 9,700,013,451 and the total number of ordinary B shares of China Vanke in issue as at 31 December 2013 was 1,314,955,468. The percentage of issued share capital shown above is calculated based on the number of issued shares in the relevant class alone, without taking into account the issued share capital of the other classes.*

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

(c) Underlying shares in China Vanke

Pursuant to a share option scheme of China Vanke adopted on 25 April 2011 (the "China Vanke Share Option Scheme"), senior management and key staff of China Vanke and its subsidiaries (the "China Vanke Group") were granted options at nil consideration to subscribe for an aggregate of 110,000,000 A shares of China Vanke. Each option gives the holder the right to subscribe for one A share of China Vanke.

Details of the outstanding options granted to the Directors under the China Vanke Share Option Scheme are as follows:

Name of Director	Exercise period	Exercise price	Number of entitled shares as at 31/12/2013
		RMB	
Zhang Xu	12 July 2012 to 24 April 2014	8.48	100,000
	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	225,000
			550,000
Que Dong Wu	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	225,000
			450,000
Wang Wen Jin	1 May 2013 to 24 April 2015	8.48	660,000
	1 May 2014 to 24 April 2016	8.48	660,000
			1,320,000

All the interests in the shares disclosed under this section represent long position in the shares of the Company or its associated corporations. Save as disclosed herein, as at 31 December 2013, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the above and the China Vanke Share Option Scheme, at no time during the year was the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Company did not have any share option scheme in force during the year.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept under section 336 of the SFO (the "Register") shows that as at 31 December 2013 the Company has been notified of the following interests or short positions in the shares of the Company:

Name of substantial shareholder	Long position/ short position	Capacity of interest	Total number of shares in which the shareholder is interested	Percentage of shareholding
China Vanke *(Note 1)*	Long position	Held by controlled corporations	194,763,966	75.00%
CITIC Securities Company Limited *(Note 2)*	Long position	Held by controlled corporations	23,427,000	9.02%

Notes:

1. *As recorded in the Register, the 194,763,966 shares are held by China Vanke through Wkland Investments Company Limited ("Wkland Investments"), which is an indirect wholly-owned subsidiary of China Vanke. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of Vanke HK. Vanke HK is a direct wholly-owned subsidiary of Shanghai Vanke Real Estate Company Limited. Shanghai Vanke Real Estate Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.*

2. *As recorded in the Register, the 23,427,000 shares are held by CSI Capital Management Limited, which is a direct wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn is a direct wholly-owned subsidiary of CITIC Securities Company Limited.*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained the percentage prescribed under the Listing Rules of the Company's shares in public hands as at the latest practicable date prior to the issue of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS

(a) On 16 May 2013, the Group entered into an agreement relating to the acquisition of the entire issued share capital of Wkdeveloper and related shareholder's loans from Vanke HK for a consideration of HK$722 million, subject to upward adjustment. The principal assets of Wkdeveloper are the 20% equity interest in Ultimate Vantage, which has been granted the right to develop the West Rail Tsuen Wan West Station TW6 Property Development, and the shareholder's loan to Ultimate Vantage. The acquisition constituted a major and connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21 June 2013. Completion of the acquisition took place on 14 August 2013 upon fulfilment of other conditions pertaining to the agreement. The final consideration is HK$727.9 million, of which the payment of HK$150 million has been deferred until partial repayment of the shareholder's loan from Ultimate Vantage to Wkdeveloper.

(b) On 19 July 2013, the Group entered into an agreement with Vanke HK relating to the sharing of administrative services on a cost basis for a period of three years commencing from 1 January 2013, which is terminable by either party on giving no less than one month's notice. Total fees payable by the Group for such services amounted to HK$4,390,000 for the year (2012: nil).

Each of Mr. Zhang Xu, Ms. Que Dong Wu and Mr. Wang Wen Jin is an executive of and is beneficially interested in the issued shares of China Vanke. Mr. Chan Chi Yu is a consultant of and is beneficially interested in the issued shares of China Vanke. The Company is an indirect 75% owned subsidiary of Vanke HK, which in turn is an indirect wholly-owned subsidiary of China Vanke.

Save as disclosed above, no contracts of significance in relation to the Group's businesses to which the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Set out below is information disclosed pursuant to Rule 8.10(2) of the Listing Rules.

The following Directors are also officers of China Vanke as set out in the table below.

Name of Director	Position held in China Vanke
Zhang Xu	*Vice President*
Que Dong Wu	*Managing Director of the Hong Kong Division*
Wang Wen Jin	*Executive Vice President*
Chan Chi Yu	*Consultant*

China Vanke and its subsidiaries (excluding the Group) are principally engaged in property development and investment in the Mainland China. Mr. Chan Chi Yu does not participate in the day to day business operations of China Vanke and the Group. Mr. Wang Wen Jin does not participate in the day to day business operations of the Group. Also, China Vanke is a company listed on the Shenzhen Stock Exchange with an independent management team and administration which are separate from those of the Group. In this respect, coupled with the diligence of the Company's Independent Non-Executive Directors and the members of its Audit Committee, the Group was capable of carrying on its businesses at arm's length and independently of any possible competing businesses with China Vanke.

During the year, the Directors were not aware of any competing businesses between China Vanke and the Group. None of the Directors was interested in any business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES

(a) On 28 December 2012, WK Property Financial Limited as borrower and a bank as lender entered into a facility agreement (the "Facility Agreement") pursuant to which a term and revolving loan facility of up to an aggregate amount of HK$600 million (the "Facility") with a final maturity date falling three years after the date of the Facility Agreement has been provided by the bank for the purpose of financing the general working capital requirements of the members of the Group. Pursuant to a guarantee executed by the Company in favor of the bank for its provision of the Facility, the Company has covenanted that Vanke HK shall own at least 51% of beneficial interest in the issued share capital of Future Best Developments Limited ("Future Best") throughout the life of the Facility. Future Best is a wholly-owned subsidiary of the Company and holds the entire issued share capital of WK Property Financial Limited. Failure to comply with this covenant will result in an event of default under the Facility Agreement.

(b) As at 31 December 2013, the aggregate amount of financial assistance to Ultimate Vantage, an affiliated company of the Company, amounted to HK$727,242,000 which exceeded 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The balance sheet of Ultimate Vantage as at 31 December 2013 and the Group's attributable interest therein are set out below.

	Note	**Balance sheet of the affiliated company** HK$million	**Group's attributable interest** HK$million
Non-current assets		3,751	750
Current assets		–	–
Loans due to shareholders — current portion	(a)	(1,717)	(343)
Other current liabilities		(71)	(14)
Loans due to shareholders — non-current portion	(b)	(1,946)	(384)
Other non-current liabilities		–	–
Net assets		17	3

(a) The balance is unsecured, interest-bearing at Hong Kong Interbank Offer Rate ("HIBOR") plus 2.2% per annum and is expected to be repaid within one year.

(b) The balance is unsecured, interest-bearing at HIBOR plus 2.2% per annum, has no fixed terms of repayment, and is expected to be repaid after one year.

Pending the arrangement of a construction loan facility, the funding for the development of the TW6 Project undertaken by Ultimate Vantage is to be met by shareholders in the form of interest-bearing advance in proportion to their equity interest in the company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to its five largest customers and suppliers respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 78.

AUDITOR

During the year ended 31 December 2012, PricewaterhouseCoopers tendered their resignation as auditor of the Company and KPMG was appointed to fill the casual vacancy so arose. At the Annual General Meeting of the Company held on 23 May 2013 (the "2013 AGM"), KPMG was re-appointed as auditor of the Company for the year ended 31 December 2013. There has been no other change of auditor in the past three years.

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2014 AGM.

On behalf of the Board

Zhang Xu
Director

Hong Kong, 25 February 2014

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2013, except for the following deviations:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company has not appointed Chairman and Chief Executive since 1 September 2012. All duties of chairman and chief executive under code provisions A.2.2 to A.2.9 are shared between Mr. Zhang Xu and Ms. Que Dong Wu, the Executive Directors.

The Board of Directors of the Company (the "Board") considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will consider appointing Chairman and Chief Executive at an appropriate stage when the Group has increased the size of operation.

Code provision A.2.7

Code provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

As the Company has not appointed Chairman of the Board, this code provision is not applicable to the Company.

Code provision F.1.3

Code provision F.1.3 stipulates that the company secretary should report to the board chairman and/or the chief executive.

During the year, the Company Secretary reported to the Executive Directors, as there was no Chairman or Chief Executive.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2013. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees (as such term is defined in the CG Code) in respect of their dealings in the securities of the Company.

THE BOARD

The Board is responsible for determining the overall strategies and policies and approving the business plan of the Group, and ensuring the Group's business operations are properly planned, authorised, undertaken and monitored. The implementation of strategies and policies and day-to-day operations of the Group's business are delegated to the management led by the Executive Directors. All policy matters of the Group, material transactions or transactions where there is a conflict of interests are reserved for the Board's decision. The principal functions of the Board are:

- to determine the overall objectives, strategies, policies and business plan of the Group;
- to monitor and control operating and financial performance;
- to approve major funding, investment and divestment proposals;
- to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- to approve the nominations of directors and appointment of key personnel; and
- to assume responsibility for corporate governance.

THE BOARD *(continued)*

Board Composition: The Board as now constituted comprises two Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship (if any) among them, are set out on pages 3 to 4 of this Annual Report.

In accordance with Rule 3.13 of the Listing Rules, each of the Independent Non-Executive Directors had confirmed his independence with the Stock Exchange and has provided an annual confirmation of his independence to the Company. Based on the Nomination Committee's assessment, the Board considers that all the existing Independent Non-Executive Directors are independent.

Board Meetings: Regular meetings are scheduled in advance to facilitate the maximum attendance. Four board meetings were held during the year ended 31 December 2013 and the attendance of each Director is set out in the section "Attendance at Meetings" of this report. Another board meeting was held on 25 February 2014 for the purpose of, amongst other things, approving the Group's audited financial statements and announcement of results and recommending a final dividend for the year ended 31 December 2013.

NON-EXECUTIVE DIRECTORS

During the year, Mr. Wang Wen Jin and Mr. Chan Chi Yu were re-appointed as Non-executive Directors for a further term of two years commencing from 24 July 2013, which appointment may be terminated by either side on no less than one month's notice. Independent Non-Executive Directors are appointed for an initial term of three years, which may be terminated by either side on no less than one month's notice. All Non-Executive Directors, including the Independent Non-Executive Directors, are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

INDUCTION, UPDATES AND TRAINING

Each newly appointed Director will be given an induction regarding the businesses and operation of the Group as well as their duties and responsibilities under the relevant rules and regulations. Monthly updates are provided to the Directors for the purpose of giving them a balanced and understandable assessment of the Group's performance, position and prospects.

INDUCTION, UPDATES AND TRAINING *(continued)*

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. Each Director is required to submit his/her training record to the Company on an annual basis. The Company Secretary will also assist the Directors to fulfill the training requirement by keeping the Directors notified on details of the relevant seminars and training courses from time to time. A summary of training record received by the Directors for the year ended 31 December 2013 is set out as follows:

Name of Director	Reading materials and/or updates relating to corporate governance and businesses of the Group	Attending training courses, seminars and/or forums	Receiving briefings from the Chief Financial Officer, the Company Secretary and/or other executives
Executive Directors			
Zhang Xu	√	–	√
Que Dong Wu	√	–	√
Non-Executive Directors			
Wang Wen Jin	√	–	√
Chan Chi Yu	√	√	√
Independent Non-Executive Directors			
Chan Wai Hei, William	√	√	√
Chung Wai Sum, Patrick	√	√	√
Shium Soon Kong	√	–	√

REMUNERATION OF DIRECTORS

Details of the remuneration of Directors are set out in note 8 to the financial statements.

Principles of Remuneration Policy:

The major principles of the Group's remuneration policy are:

- no individual is involved in determining his/her own remuneration;
- remuneration should align with those offered for comparable position by comparable companies of similar size and business scope in the market; and
- remuneration should reflect work complexity, time commitment, responsibility and performance (both financial and qualitative) with a view to attracting, motivating and retaining high performers.

Remuneration of Executive Directors: Each of the Executive Directors received a fee of HK$200,000 per annum for being a director of the Company. No other remuneration is payable to the Executive Directors for the time being.

Remuneration of Non-Executive Directors, including the Independent Non-Executive Directors: Each of the Non-Executive Directors received a fee of HK$150,000 per annum for being a director of the Company. All Non-Executive Directors, other than Mr. Wang Wei Jin, are entitled to an allowance of HK$10,000 for attending each meeting. No other remuneration is payable to the Non-Executive Directors for the time being.

REMUNERATION OF DIRECTORS *(continued)*

Remuneration Committee: The Company established a Remuneration Committee with written terms of reference on 1 April 2005. The committee is constituted by two Independent Non-Executive Directors and one Executive Director, with the chairmanship being assumed by an Independent Non-Executive Director.

The principal duties and functions of the Remuneration Committee are:

- to make recommendations to the Board regarding the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to determine the specific remuneration packages of all Executive Directors and senior management;
- to make recommendations to the Board of the remuneration of Non-Executive Directors; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The latest terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting in February 2013:

- to review the Company's policy and structure for all Directors' and senior management's remuneration; and
- to determine the specific remuneration packages of all Directors and senior management for the year ended 31 December 2013.

The attendance of each member of the Remuneration Committee at its meeting is set out in the section "Attendance at Meetings" of this report.

NOMINATION OF DIRECTORS

The Board, through the Nomination Committee, reviews its structure, size, composition and diversity from time to time to ensure that it has the balance of skills and experience and independent element appropriate for the requirement of the Group's businesses. Pursuant to the Company's Articles of Association, all Directors newly appointed by the Board shall hold office until the next annual general meeting. They shall then be eligible for re-election and thereafter subject to retirement by rotation at least once in every three years.

Nomination Committee: The Company established a Nomination Committee with written terms of reference on 29 March 2007. The committee is constituted by two Independent Non-Executive Directors and one Executive Director, with the chairmanship being assumed by an Independent Non-Executive Director.

The principal duties and functions of the Nomination Committee are:

- to review the structure, size, composition and diversity of the Board and make recommendations to the Board regarding any proposed changes as and when necessary;
- to identify and nominate qualified individuals to the Board for appointment as additional Directors or to fill Board vacancies as and when they arise;
- to assess the independence of Independent Non-Executive Directors;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- to review the board diversity policy of the Board (the "Board Diversity Policy") and make disclosure of its review results in this report; and
- to conform to any requirement or direction that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or any applicable law or regulation.

NOMINATION OF DIRECTORS *(continued)*

The latest terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee held three meetings during the year ended 31 December 2013:

- to review the structure, size, composition and diversity of the Board;
- to assess the independence of Independent Non-Executive Directors;
- to recommend to the Board the re-appointment of retiring Directors at the 2013 AGM;
- to recommend to the Board the re-appointment of Mr. Wang Wen Jin and Mr. Chan Chi Yu as Non-Executive Directors; and
- to recommend the adoption of the Board Diversity Policy and the corresponding amendments to the terms of reference of the Nomination Committee.

During the year, the Company had adopted the Board Diversity Policy as a result of a new code provision being introduced by the Stock Exchange on board diversity. Through adopting the policy, the Company aims to build and maintain the Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. Having evaluated the profile of the individual Directors against these different perspectives, the Nomination Committee considers the Board is sufficiently diversified and no measurable objectives for the purpose of bridging any gap in the diversity of the Board are required to be set by the Board. As an ongoing process, the Nomination Committee will evaluate the diversity of the Board at least annually by reference to the business needs of the Company prevailing from time to time.

Any shareholder who wishes to nominate any person for election as a director at the Company's general meeting may make a written submission to the Company at its principal place of business in Hong Kong containing such information as may be required within the period commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date of such meeting. The Nomination Committee will consider the suitability of the candidate on the basis of qualifications, experience and background. Details of the nomination procedures are available on the Company's website.

The attendance of each member of the Nomination Committee at its meetings is set out in the section "Attendance at Meetings" of this report.

ACCOUNTABILITY AND AUDIT

Financial Reporting: The Directors acknowledge their responsibilities for the preparation of financial statements which give a true and fair view of the state of affairs of the Group, and to ensure that appropriate accounting policies are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditor of the Company has included a statement of its reporting responsibilities on the Group's financial statements in its Independent Auditor's Report on page 26 of this Annual Report.

Internal Control: The Board is responsible for maintaining sound and effective internal controls to safeguard the Group's assets. Procedures have been designed to provide reasonable assurance regarding risk management and the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of the financial reporting; and
- compliance with applicable laws and regulations.

The Audit Committee commissioned an audit firm to carry out an independent review of the Group's existing system of internal control, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Based on the review carried out by the audit firm as well as the findings from the external auditor in the course of the year end audit, the Board is satisfied that the Group has maintained sound and effective internal controls during the year ended 31 December 2013.

Audit Committee: The Company established an Audit Committee with written terms of reference on 17 December 1998. The committee is constituted by two Independent Non-Executive Directors and one Non-Executive Director, with the chairmanship being assumed by an Independent Non-Executive Director.

The principal duties and functions of the Audit Committee are:

- to recommend to the Board the appointment, re-appointment and removal of the external auditor, to approve the remuneration and to assess the independence of the external auditor;
- to review the Group's interim and annual financial statements;
- to oversee the Group's financial reporting system and internal control procedures; and
- to discuss issues arising from the audits and any matters raised by the external auditor.

The latest terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

ACCOUNTABILITY AND AUDIT *(continued)*

The Audit Committee held three meetings during the year ended 31 December 2013:

- to review the financial statements and the accounting policies and practices adopted by the Group with management and the external auditor;
- to develop policies and practices of the Company on corporate governance and make recommendations to the Board;
- to recommend to the Board the re-appointment of KPMG as the external auditor;
- to consider the independence and remuneration of the external auditor;
- to discuss the external auditor's audit plan and findings;
- to review reports on the Company's compliance with the CG Code and disclosures in this report;
- to review internal control reports; and
- to assess the effectiveness of the system of internal control of the Group.

The attendance of each member of the Audit Committee at its meetings is set out in the section "Attendance at Meetings" of this report.

AUDITORS' REMUNERATION

Remuneration in respect of audit and non-audit services provided by KPMG during the year ended 31 December 2013 is analysed as follows:

Services rendered:	**Remuneration** HK$'000
Audit services	525
Non-audit services	560

ESTABLISHMENT OF AN INDEPENDENT BOARD COMMITTEE

On 19 April 2013, the Board established an independent board committee comprising Mr. Chan Wai Hei, William, Mr. Chung Wai Sum, Patrick and Mr. Shium Soon Kong for the purpose of advising the independent shareholders of the Company as to how they should vote in the transaction set out in the section "Directors' Interests in Contracts" on page 12 of this Annual Report.

The committee held one meeting in April 2013 and their recommendation was set out in the circular to the shareholders dated 4 June 2013.

The attendance of each member of the independent board committee at its meeting is set out in the section "Attendance at Meetings" of this report.

COMPANY SECRETARY

Ms. Ivy Lai ("Ms. Lai") acted as the Company Secretary until 17 December 2013. Ms. Lai is not an employee of the Group but is given access to both Ms. Que Dong Wu, an Executive Director, and Mr. Luk Chi Chung Peter ("Mr. Luk"), the Chief Financial Officer, from time to time in order to have an up-to-date knowledge about the Group's affairs. On 17 December 2013, Mr. Luk was appointed as the Company Secretary. All Directors have access to the advice and services of the Company Secretary.

Both Ms. Lai and Mr. Luk confirmed that they had taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

COMMUNICATION WITH SHAREHOLDERS

The Company adopted a shareholder communication policy on 28 March 2012 to promote effective communication of the Company with its shareholders. Information relating to the Group is mainly disseminated to the shareholders through publication of notices, announcements and circulars at the websites of the Company and the Stock Exchange and despatch of interim reports, annual reports and circulars to the shareholders. Annual general meetings and other general meetings are held in compliance with the Listing Rules' and legal requirements to provide a forum for shareholders to exchange their views with the Board. Directors will be present at the meeting to answer questions from shareholders.

In May 2013, the 2013 AGM was held for the shareholders to consider and approve the results of the Group for the year ended 31 December 2012, the payment of a final dividend for the year ended 31 December 2012, the re-appointment of the external auditor and the retiring Directors, the granting of a share issue mandate and a share repurchase mandate to the Board and the proposed amendments to the Memorandum and Articles of Association of the Company (the "M&A"). In June 2013, an extraordinary general meeting of the Company (the "EGM") was held for the independent shareholders of the Company to consider and approve, if appropriate, the transaction contemplated under the TW6 Project set out in the section "Directors' Interests in Contracts" on page 12 of this Annual Report.

The attendance of each Director at the general meetings is set out in the section "Attendance at Meetings" of this report.

SHAREHOLDERS' RIGHTS

Convening of EGM on requisition by shareholders

Under Article 72 of the Company's Articles of Association, general meetings could be convened by such requisitionists, as provided by Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). In accordance with Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company which as at the date of the deposit carries the right of voting at general meetings of the Company, may require the directors of the Company to convene an EGM. The written requisition must state the objects of the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned. If the directors of the Company do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of three months from the said date. The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing, whose contact details are as follows:

The Board of Directors
Vanke Property (Overseas) Limited
55th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong
Email: vkoverseas.cs@vanke.com
Fax: (852) 2328 8097

The Board and/or relevant board committees of the Company will consider the enquiries and concerns raised by the shareholders and reply as appropriate.

Procedures for putting forward proposals at general meetings by shareholders

A shareholder who wishes to propose a resolution must requisition the convening of a general meeting in accordance with Article 72 of the Company's Articles of Association. The written requisition must be signed by the shareholder(s) concerned and deposited at the registered office of the Company.

Without prejudice to the foregoing, any shareholder who wishes to nominate any person for election as a director at the Company's general meeting shall make a written submission to the Company at its principal place of business in Hong Kong containing such information as may be required within the period commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date of such meeting. The Nomination Committee will consider the suitability of the candidate on the basis of qualifications, experience and background.

AMENDMENT OF THE COMPANY'S CONSTITUTIONAL DOCUMENTS

At the 2013 AGM, the shareholders of the Company approved (i) the proposed amendments to the Company's M&A as a result of the changes made to the CG Code, the Listing Rules and the Companies Law of the Cayman Islands at that time; and (ii) the adoption of a set of new M&A, incorporating all previous amendments to the M&A and the proposed amendments being tabled at the 2013 AGM.

The new M&A has been posted on the websites of the Company and the Stock Exchange.

ATTENDANCE AT MEETINGS

The attendance of individual Directors at the Board and Committee Meetings during the year ended 31 December 2013 is set out below.

Name of Director	Board Meetings	Remuneration Committee Meeting	Nomination Committee Meetings	Audit Committee Meetings	Independent Board Committee Meeting
Executive Directors					
Zhang Xu	4/4	–	3/3	–	–
Que Dong Wu	4/4	1/1	–	–	–
Non-Executive Directors					
Wang Wen Jin	4/4	–	–	3/3	–
Chan Chi Yu	4/4	–	–	–	–
Independent Non-Executive Directors					
Chan Wai Hei, William	4/4	1/1	–	3/3	1/1
Chung Wai Sum, Patrick	4/4	–	3/3	3/3	1/1
Shium Soon Kong	4/4	1/1	3/3	–	1/1

The attendance of individual Directors at the General Meetings during the year ended 31 December 2013 is set out below.

Name of Director	2013 AGM	EGM held on 21 June 2013
Executive Directors		
Zhang Xu	√	√
Que Dong Wu	√	√
Non-Executive Directors		
Wang Wen Jin	√	√
Chan Chi Yu	√	√
Independent Non-Executive Directors		
Chan Wai Hei, William	√	√
Chung Wai Sum, Patrick	√	√
Shium Soon Kong	√	√

Independent Auditor's Report

Independent auditor's report to the shareholders of Vanke Property (Overseas) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vanke Property (Overseas) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 27 to 76, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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. This report is made solely to you, as a body, 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.

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 the 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 31 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.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Continuing operations:			
Turnover	4	**82,550**	77,574
Cost of services		**(19,647)**	(17,645)
Gross profit		**62,903**	59,929
Other income	5	**122**	379
Administrative, leasing and marketing expenses		**(15,023)**	(17,770)
Increase in fair value of investment properties		**125,110**	130,240
Operating profit		**173,112**	172,778
Finance income	6(a)	**391**	–
Finance costs	6(a)	**(14,052)**	(654)
		159,451	172,124
Share of loss of an associate		**(9)**	–
Profit before taxation	6	**159,442**	172,124
Taxation charge	7(a)	**(7,936)**	(9,233)
Profit for the year from continuing operations		**151,506**	162,891
Discontinued operations:			
Profit for the year from discontinued operations	12	**–**	344,543
Profit for the year		**151,506**	507,434
Attributable to:			
Shareholders of the Company	10		
— Continuing operations		**151,506**	161,718
— Discontinued operations		**–**	344,475
		151,506	506,193
Non-controlling interests			
— Continuing operations		**–**	1,173
— Discontinued operations		**–**	68
		–	1,241
		151,506	507,434
		HK$	HK$
Earnings per share — basic and diluted	13		
— Continuing operations		**0.58**	0.62
— Discontinued operations		**–**	1.33

The notes on pages 34 to 76 form part of these financial statements. Details of dividends paid and payable to shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**151,506**	507,434
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries	–	6,283
Changes in fair value of available-for-sale financial assets	–	106,599
Transferred to consolidated income statement upon derecognition of an available-for-sale financial asset	–	(79,073)
Share of hedging reserve of an associate	–	(1,774)
Cash flow hedges		
— Fair value losses	–	(7,010)
— Realised upon settlement	–	21,415
Other comprehensive income for the year	–	46,440
Total comprehensive income for the year	**151,506**	553,874
Attributable to:		
Shareholders of the Company		
— Continuing operations	**151,506**	161,718
— Discontinued operations	–	390,915
	151,506	552,633
Non-controlling interests		
— Continuing operations	–	1,173
— Discontinued operations	–	68
	–	1,241
Total comprehensive income for the year	**151,506**	553,874

There is no tax effect relating to each of the components in the other comprehensive income.

The notes on pages 34 to 76 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Plant and equipment	14	**14**	–
Investment properties	15	**1,384,700**	1,259,590
Interest in an associate	17	**387,120**	–
Deferred tax assets	22	**2,068**	1,994
		1,773,902	1,261,584
Current assets			
Trade and other receivables	18	**3,720**	15,883
Tax recoverable		**1,004**	17
Amount due from an associate	17	**343,452**	–
Bank balances and cash		**20,708**	50,151
		368,884	66,051
Current liabilities			
Other payables and accruals	19	**(24,735)**	(20,248)
Amount due to an intermediate holding company	20	**(151,658)**	–
Bank loans due within one year, secured	21	**(5,500)**	–
Tax payable		**(467)**	(2,503)
		(182,360)	(22,751)
Net current assets		**186,524**	43,300
Total assets less current liabilities		**1,960,426**	1,304,884
Non-current liabilities			
Bank loans due after one year, secured	21	**(510,000)**	–
Deferred tax liabilities	22	**(27,767)**	(25,940)
		(537,767)	(25,940)
NET ASSETS		**1,422,659**	1,278,944
CAPITAL AND RESERVE			
Share capital	23(b)	**2,596**	2,596
Retained profits		**1,420,063**	1,276,348
TOTAL EQUITY		**1,422,659**	1,278,944

Approved and authorised for issue by the board of directors on 25 February 2014.

Zhang Xu
Director

Que Dong Wu
Director

The notes on pages 34 to 76 form part of these financial statements.

Balance Sheet

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	16	**351,626**	327,651
Current assets			
Other receivables	18	**167**	2,522
Tax recoverable		**46**	17
Bank balances and cash		**5,419**	25,523
		5,632	28,062
Current liabilities			
Other payables and accruals	19	**(2,543)**	(1,905)
Amount due to an intermediate holding company	20	**(1,250)**	–
		(3,793)	(1,905)
Net current assets		**1,839**	26,157
NET ASSETS		**353,465**	353,808
CAPITAL AND RESERVE			
Share capital		**2,596**	2,596
Retained profits		**350,869**	351,212
TOTAL EQUITY	23(a)	**353,465**	353,808

Approved and authorised for issue by the board of directors on 25 February 2014.

Zhang Xu
Director

Que Dong Wu
Director

The notes on pages 34 to 76 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

		Attributable to shareholders of the Company								
	Note	Share capital HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		**2,596**	**–**	**–**	**–**	**–**	**1,276,348**	**1,278,944**	**–**	**1,278,944**
Changes in equity for 2013:										
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**151,506**	**151,506**	**–**	**151,506**
Final dividend approved in respect of the previous year	11(b)	**–**	**–**	**–**	**–**	**–**	**(7,791)**	**(7,791)**	**–**	**(7,791)**
At 31 December 2013		**2,596**	**–**	**–**	**–**	**–**	**1,420,063**	**1,422,659**	**–**	**1,422,659**
At 1 January 2012		2,596	519,151	211,431	17,629	(100,952)	10,669,212	11,319,067	38,116	11,357,183
Changes in equity for 2012:										
Profit for the year		–	–	–	–	–	506,193	506,193	1,241	507,434
Other comprehensive income		–	–	27,526	6,283	12,631	–	46,440	–	46,440
Total comprehensive income		–	–	27,526	6,283	12,631	506,193	552,633	1,241	553,874
Final dividend approved in respect of the previous year	11(b)	–	–	–	–	–	(122,052)	(122,052)	–	(122,052)
Special cash dividend declared in respect of the current year	11(a)	–	(202,632)	–	–	–	–	(202,632)	–	(202,632)
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	(22,742)	(22,742)
Acquisition of additional interest in subsidiaries from a non-controlling shareholder		–	–	–	–	–	–	–	(14,333)	(14,333)
Distributed businesses		–	(316,519)	(238,957)	(23,912)	88,321	(9,777,005)	(10,268,072)	(2,282)	(10,270,354)
At 31 December 2012		2,596	–	–	–	–	1,276,348	1,278,944	–	1,278,944

The notes on pages 34 to 76 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Profit before taxation	**159,442**	538,187
Adjustments for:		
Share of profits less losses of associates	**9**	(92,507)
Finance costs	**14,052**	38,721
Finance income	**(391)**	(3,313)
Amortised income from held-to-maturity investments	**–**	(5,988)
Depreciation of plant and equipment	**–**	1,288
Dividend income from listed and unlisted available-for-sale financial assets	**–**	(9,739)
Impairment loss on amounts due from an associate	**–**	2,565
Impairment loss on trade receivables	**–**	31
Transferred to consolidated income statement upon derecognition of an available-for-sale financial asset	**–**	(79,073)
Fair value loss on derivative financial instruments	**–**	1,574
Loss on disposal of plant and equipment	**–**	141
Increase in fair value of investment properties	**(125,110)**	(166,866)
Foreign exchange gain, net	**–**	(178)
Operating profit before changes in working capital	**48,002**	224,843
Decrease in inventories	**–**	1
Decrease/(increase) in trade and other receivables	**12,163**	(8,083)
Increase in other payables and accruals	**3,894**	7,626
Increase in amount due to an intermediate holding company	**1,460**	–
Cash generated from operations	**65,519**	224,387
Interest and other borrowing costs paid	**(19,261)**	(38,721)
Hong Kong Profits Tax paid	**(9,206)**	(2,882)
Net cash generated from operating activities	**37,052**	182,784

	2013 HK$'000	2012 HK$'000
Investing activities		
Purchase of plant and equipment	**(14)**	(143)
Additions of investment properties	**–**	(574)
Income received from held-to-maturity investments	**–**	250
Bank interest received	**391**	3,313
Dividends received from listed and unlisted available-for-sale financial assets	**–**	9,739
Cash distribution from an unlisted available-for-sale financial asset	**–**	27,365
Amounts repaid and advanced by associates	**–**	13,087
Dividends received from associates	**–**	87,232
Acquisitions of held-to-maturity investments	**–**	(31,166)
Acquisition of 20% interest in TW6 Project (note 26)	**(577,900)**	–
Advanced to an associate	**(2,681)**	–
Acquisition of interests in subsidiaries from a non-controlling shareholder	**–**	(14,333)
Cash outflow in relation to distribution in specie	**–**	(74,901)
Net cash (used in)/generated from investing activities	**(580,204)**	19,869
Financing activities		
Proceeds from new bank loans	**530,000**	254,600
Repayment of bank loans	**(8,500)**	(673,400)
Repayment of amount due to a non-controlling shareholder	**–**	(32,498)
Dividends paid	**(7,791)**	(324,684)
Dividends paid to a non-controlling shareholder	**–**	(22,742)
Net cash generated from/(used in) financing activities	**513,709**	(798,724)
Net decrease in cash and cash equivalents	**(29,443)**	(596,071)
Cash and cash equivalents at 1 January	**50,151**	647,478
Effect of foreign exchange rate changes	**–**	(1,256)
Cash and cash equivalents at 31 December	**20,708**	50,151
Analysis of the balances of cash and cash equivalents at 31 December		
Bank balances and cash	**20,708**	50,151

The notes on pages 34 to 76 form part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

Vanke Property (Overseas) Limited (the "Company") is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the address of its principal office in Hong Kong is 55/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The principal activities of the Group are property investment and management and property development.

The Board of Directors of the Company considers that the Company's ultimate holding company is China Vanke Co., Ltd., a joint stock company with limited liability incorporated in the People's Republic of China and the issued shares of which are listed on the Shenzhen Stock Exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair value as explained in note 2(g).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

— HKFRS 10, *Consolidated financial statements*

— HKFRS 12, *Disclosure of interests in other entities*

— HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 17.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2 (j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(h) Plant and equipment

The following items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

— Plant and machinery;

— Leasehold improvements, furniture, fixtures and office equipment; and

— Motor vehicles.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Plant and machinery	5–10 years
— Leasehold improvements, furniture, fixtures and office equipment	5–10 years
— Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets held for use in operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in note 2(r)(i).

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statement (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— plant and equipment;

— goodwill; and

— interests in subsidiaries in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale financial assets and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale financial asset increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interests in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Property management and warehousing income is recognised when the relevant services are provided.

(iii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income is recognised as it accrues using the effective interest method.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made the following judgements:

Valuation of investment properties

Investment properties are included in the balance sheet at their market value, which are assessed annually by external qualified valuers, after taking into consideration the net rental income allowing for reversionary market sale potential.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involved a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

Impairment of the Company's interests in subsidiaries and Group's interest in an associate

In considering the impairment losses that may be required for the Company's interests in subsidiaries and the Group's interest in an associate, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries and the associate. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries and the associate.

4 TURNOVER AND SEGMENT INFORMATION

Turnover recognised during the year are as follows:

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Rental and property management	**82,550**	77,574
Discontinued operations:		
Rental and property management	–	247,578
Warehousing	–	5,923
	–	253,501

The Group's chief operating decision maker assesses the performance of the operating segment primarily based on segment profit. Segment profit represents the profit earned by the segment and excludes head office and corporate expenses (net of unallocated income), finance income, finance costs and taxation charge.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following two segments:

Rental and property management:	The leasing of the Group's investment properties to earn rental and management fee income and to gain from the appreciation in properties' values in the long term
Property development:	Share of the results of an associate, which principal activity is property development

Operating segments

The segment results from continuing operations are as follows:

	Rental and property management HK$'000	Property development HK$'000	Total HK$'000
For the year ended 31 December 2013			
Turnover	**82,550**	**–**	**82,550**
Segment results before change in fair value of investment properties	**61,314**	**(9)**	**61,305**
Increase in fair value of investment properties	**125,110**	**–**	**125,110**
Segment results	**186,424**	**(9)**	**186,415**
Head office and corporate expenses (net of unallocated income)			**(13,312)**
Finance income			**391**
Finance costs			**(14,052)**
Profit before taxation from continuing operations			**159,442**
Taxation charge			**(7,936)**
Profit for the year from continuing operations			**151,506**

4 TURNOVER AND SEGMENT INFORMATION *(continued)*

Operating segments *(continued)*

	Rental and property management HK$'000	Property development HK$'000	Total HK$'000
For the year ended 31 December 2012			
Turnover	77,574	–	77,574
Segment results before change in fair value of investment properties	59,218	–	59,218
Increase in fair value of investment properties	130,240	–	130,240
Segment results	189,458	–	189,458
Head office and corporate expenses (net of unallocated income)			(16,680)
Finance costs			(654)
Profit before taxation from continuing operations			172,124
Taxation charge			(9,233)
Profit for the year from continuing operations			162,891

Geographical information

No geographical information is shown as the turnover and operating profit of the Group's continuing operations are all derived from activities in Hong Kong.

5 OTHER INCOME

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Others	**122**	379
Discontinued operations:		
Dividend income from listed available-for-sale financial assets	**–**	9,739
Others	**–**	930
	–	10,669

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
(a) Finance income and costs		
Continuing operations:		
Finance income		
Interest income on bank deposits and bank balances	**(391)**	–
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	**8,379**	654
Interest expense on amount due to an intermediate holding company wholly repayable within five years (note 20)	**1,732**	–
Other borrowing costs	**3,941**	–
	14,052	654
Discontinued operations:		
Finance income		
Interest income on bank deposits and bank balances	**–**	(3,313)
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	**–**	38,067
(b) Staff costs (including directors' emoluments)		
Continuing operations:		
Contributions to defined contribution plan	**15**	48
Salaries, wages and other benefits	**2,078**	3,023
	2,093	3,071
Discontinued operations:		
Contributions to defined contribution plan	**–**	1,171
Salaries, wages and other benefits	**–**	28,001
	–	29,172

6 PROFIT BEFORE TAXATION *(continued)*

Profit before taxation is arrived at after charging/(crediting): *(continued)*

(b) Staff costs (including directors' emoluments) *(continued)*

The Group participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2012: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

	2013 HK$'000	2012 HK$'000
(c) Others		
Continuing operations:		
Auditors' remuneration		
— audit services	**525**	500
— non-audit services	**560**	216
Depreciation	**–**	20
Impairment loss on trade receivables	**–**	31
Legal and professional fees directly attributable to the transactions conducted pursuant to an agreement dated 13 May 2012 in relation to change of controlling shareholder of the Company (the "Agreement")	**–**	9,871
Loss on disposal of plant and equipment	**–**	96
Rentals receivable from investment properties less direct outgoings of HK$19,647,000 (2012: HK$17,625,000)	**(62,903)**	(59,949)
Discontinued operations:		
Amortised income from held-to-maturity investments	**–**	(5,988)
Auditors' remuneration	**–**	324
Depreciation	**–**	1,268
Direct operating expenses for generating warehousing income	**–**	2,202
Fair value loss on derivative financial instruments	**–**	1,574
Foreign exchange loss, net	**–**	143
Impairment loss on amounts due from associates	**–**	2,565
Loss on disposal of plant and equipment	**–**	45
Operating lease charges: minimum lease payments — property rental	**–**	1,896
Rentals receivable from investment properties less direct outgoings of nil (2012: HK$47,840,000)	**–**	(199,738)
Transferred to consolidated income statement upon derecognition of an available-for-sale financial asset	**–**	(79,073)

7 TAXATION CHARGE

(a) Taxation charge represents:

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Current tax		
Hong Kong Profits Tax	**6,233**	7,189
(Over)/under provision in prior years	**(50)**	20
	6,183	7,209
Deferred tax		
Origination and reversal of temporary differences	**1,753**	2,024
	7,936	9,233
Discontinued operations:		
Current tax		
Hong Kong Profits Tax	**–**	8,274
Over provision in prior years	**–**	(1,879)
	–	6,395
Deferred tax		
Origination and reversal of temporary differences	**–**	15,125
	–	21,520

Provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

There is no tax component (2012: share of associates' taxation of HK$14,550,000) in the results of an associate for the year ended 31 December 2013.

7 TAXATION CHARGE *(continued)*

(b) Reconciliation between tax expense and profit before taxation from continuing operations at an applicable tax rate:

	2013 HK$'000	2012 HK$'000
Profit before taxation from continuing operations	**159,442**	172,124
Notional tax on profit before taxation calculated at 16.5% (2012: 16.5%)	**26,308**	28,400
Tax effect of non-deductible expenses	**2,110**	2,453
Tax effect of non-taxable income	**(20,708)**	(21,640)
Tax effect of tax losses not recognised	**276**	–
(Over)/under provision in prior years	**(50)**	20
Actual tax expense from continuing operations	**7,936**	9,233

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2013				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Zhang Xu	200	–	–	–	200
Ms. Que Dong Wu	200	–	–	–	200
	400	–	–	–	400
Non-Executive Directors					
Mr. Wang Wen Jin	150	–	–	–	150
Mr. Chan Chi Yu	150	60	–	–	210
	300	60	–	–	360
Independent Non-Executive Directors					
Mr. Chan Wai Hei, William	150	110	–	–	260
Mr. Chung Wai Sum, Patrick	150	130	–	–	280
Mr. Shium Soon Kong	150	110	–	–	260
	450	350	–	–	800
	1,150	410	–	–	1,560

8 DIRECTORS' REMUNERATION *(continued)*

	2012				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Zhang Xu (note (a))	88	–	–	–	88
Ms. Que Dong Wu (note (a))	88	–	–	–	88
Mr. Chow Wai Wai, John (note (c))	26	1,620	406	161	2,213
Ms. Chen Chou Mei Mei, Vivien (note (c))	47	222	–	13	282
Mr. Au Hing Lun, Dennis (note (c))	26	–	–	1	27
	275	1,842	406	175	2,698
Non-Executive Directors					
Mr. Wang Wen Jin (note (a))	66	–	–	–	66
Mr. Chan Chi Yu (note (a))	66	40	–	–	106
Mr. Cheng Wai Chee, Christopher (note (c))	1,200	–	–	–	1,200
Mr. Cheng Wai Sun, Edward (note (c))	26	–	–	–	26
	1,358	40	–	–	1,398
Independent Non-Executive Directors					
Mr. Chan Wai Hei, William (note (b))	50	30	–	–	80
Mr. Chung Wai Sum, Patrick (note (b))	50	30	–	–	80
Mr. Shium Soon Kong (note (b))	50	20	–	–	70
Mr. Christopher Patrick Langley (note (c))	285	–	–	–	285
Dr. Lo Ka Shui (note (c))	143	–	–	–	143
Mr. Haider Hatam Tyebjee Barma (note (c))	247	–	–	–	247
	825	80	–	–	905
	2,458	1,962	406	175	5,001

Notes:

(a) Appointed on 24 July 2012.

(b) Appointed on 1 September 2012.

(c) Resigned on 1 September 2012.

9 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Four (2012: two) of the directors of the Company were included in the five individuals with the highest emoluments. Details of directors' emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2012: three) individual is as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**454**	3,300
Discretionary bonuses	**–**	1,300
Retirement scheme contributions	**14**	200
	468	4,800

The emoluments of the remaining one (2012: three) individual with the highest emoluments are within the following bands:

	Number of individuals 2013	 2012
Nil–HK$1,000,000	**1**	–
HK$1,000,001–HK$1,500,000	**–**	1
HK$1,500,001–HK$2,000,000	**–**	2
	1	3

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company includes a profit of HK$7,448,000 (2012: HK$138,078,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

(a) Dividends attributable to the year

	2013 HK$'000	2012 HK$'000
Special cash dividend declared and paid of nil (2012: HK$0.7803 per share on 16 July 2012)	–	202,632
Final dividend proposed after the balance sheet date of HK$0.03 per share (2012: HK$0.03 per share paid on 7 June 2013)	**7,791**	7,791
	7,791	210,423

At a meeting held on 25 February 2014, the Directors recommended a final dividend of HK$0.03 per share. This proposed dividend is not reflected as a dividend payable in the Group's financial statements until it has been approved by the shareholders of the Company and will be reflected as an appropriation of reserves in the year 2014.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2013 HK$'000	2012 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 (2012: HK$0.47) per share	**7,791**	122,052

12 DISCONTINUED OPERATIONS

Pursuant to the Agreement, the Group's businesses, other than those relating to the units and car park podium in Regent Centre then owned by the Group, were distributed to the shareholders of the Company, whose names appeared on the register of members of the Company on 13 July 2012, upon completion of the Agreement on 16 July 2012.

(a) The results of the distributed businesses were reported as discontinued operations in the Group's financial statements for the year ended 31 December 2012. Details are as follows:

	Note	2012 HK$'000
Turnover	4	253,501
Cost of services		(52,592)
Gross profit		200,909
Other income	5	10,669
Administrative, leasing and marketing expenses		(21,861)
Increase in fair value of investment properties		36,626
Other gains, net		81,967
Operating profit		308,310
Finance income	6(a)	3,313
Finance costs	6(a)	(38,067)
		273,556
Share of profits less losses of associates		92,507
Profit before taxation		366,063
Taxation charge	7(a)	(21,520)
Profit for the year from discontinued operations		344,543

(b) The net cash flows of the distributed businesses are as follows:

	2012 HK$'000
Net cash generated from operating activities	152,531
Net cash generated from investing activities	35,145
Net cash used in financing activities	(333,800)
Net decrease in cash and cash equivalents of the discontinued operations	(146,124)

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company from the continuing operations and discontinued operations of HK$151,506,000 and nil (2012: HK$161,718,000 and HK$344,475,000), respectively, and 259,685,288 shares (2012: 259,685,288 shares) in issue during the year.

Diluted earnings per share for the continuing operations and discontinued operations equals to the basic earnings per share for the continuing operations and discontinued operations as the Company had no dilutive potential shares in issue during the year (2012: nil).

14 PLANT AND EQUIPMENT

The Group

	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2013	–	–	–	–
Addition	–	14	–	14
At 31 December 2013	–	14	–	14
Accumulated depreciation:				
At 1 January 2013	–	–	–	–
Charge for the year	–	–	–	–
At 31 December 2013	–	–	–	–
Net book value:				
At 31 December 2013	–	14	–	14

14 PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2012	1,038	17,615	1,238	19,891
Additions	–	143	–	143
Disposals	(20)	(1,236)	–	(1,256)
Distributed businesses	(1,018)	(16,522)	(1,238)	(18,778)
At 31 December 2012	–	–	–	–
Accumulated depreciation:				
At 1 January 2012	977	8,700	1,183	10,860
Charge for the year	5	1,228	55	1,288
Disposals	(20)	(1,095)	–	(1,115)
Distributed businesses	(962)	(8,833)	(1,238)	(11,033)
At 31 December 2012	–	–	–	–
Net book value:				
At 31 December 2012	–	–	–	–

15 INVESTMENT PROPERTIES

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**1,259,590**	12,167,930
Additions	–	574
Fair value gain	**125,110**	166,866
Distributed businesses	–	(11,075,780)
At 31 December	**1,384,700**	1,259,590

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December	Fair value measurements at 31 December 2013 categorised into		
	2013	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	**1,384,700**	–	–	**1,384,700**

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur.

All of the Group's investment properties were revalued at 31 December 2013. The valuations were carried out by an independent firm of surveyors, Vigers Appraisal & Consulting Ltd., which has among its staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

15 INVESTMENT PROPERTIES *(continued)*

(a) Fair value measurement of investment properties *(continued)*

(ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Range (weighted average)
Investment properties	Term and reversionary approach	*Term period* — capitalisation rate	 4%
		Reversionary period — capitalisation rate — market unit sale rate (HK$/sq.ft.)	 4.5% 1,700–2,200 (1,900)

The fair value of investment properties is determined by direct capitalisation of existing net rental income allowing for reversionary market sale potential of the property. The fair value measurement is positively correlated to the market unit sale rate, and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	HK$'000
At 1 January 2013	**1,259,590**
Fair value gain	**125,110**
At 31 December 2013	**1,384,700**

Fair value adjustment of investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the consolidated income statement.

All the gains recognised in profit or loss for the year arise from the investment properties held at the balance sheet date.

(b) The analysis of valuation of investment properties is as follows:

	The Group	
	2013 **HK$'000**	2012 HK$'000
Leasehold land in Hong Kong: — medium term leases	**1,384,700**	1,259,590

15 INVESTMENT PROPERTIES *(continued)*

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years. None of the leases includes contingent rentals.

(d) The gross carrying amounts of investment properties held for use in operating leases is HK$1,384,700,000 (2012: HK$1,259,590,000).

(e) Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**64,392**	55,172
After 1 year but within 5 years	**23,493**	33,166
	87,885	88,338

(f) Particulars of the investment properties are set out on page 77.

16 INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost (note (a))	**–**	–
Amounts due from subsidiaries (note (b))	**351,626**	327,651
	351,626	327,651

Notes:

(a) The balance represents the subsidiaries' unlisted shares at cost of HK$17 (2012: HK$8).

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after one year.

(c) Particulars of the subsidiaries are set out on page 76.

17 INTEREST IN AN ASSOCIATE

	The Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**3,330**	–
Amount due from an associate (non-current) (note (a))	**383,790**	–
	387,120	–
Amount due from an associate (current) (note (b))	**343,452**	–

Notes:

(a) The balance is unsecured, interest-bearing at Hong Kong Interbank Offer Rate ("HIBOR") plus 2.2% per annum and has no fixed terms of repayment, and is expected to be recovered after one year.

(b) The balance is unsecured, interest-bearing at HIBOR plus 2.2% per annum and is expected to be recovered within one year.

Details of the Group's interest in an associate, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ultimate Vantage Limited*	Incorporated	Hong Kong	100 ordinary shares of HK$1 each	20%	–	20%	Property development (Note)

* Unlisted corporate entity whose quoted market price is not available

Note: Ultimate Vantage Limited ("UVL"), a property developer based in Hong Kong, enables the Group to expand its business activities from property investment to property investment and development. Particulars of the Group's interest in the properties held by UVL for development purpose are set out on page 77.

The Group holds 20% equity interest in UVL at 31 December 2013. The directors consider the Group has the power to participate in UVL's financial and operating policy decisions and therefore, it is appropriate to account for its interest in UVL as an associate in the Group's consolidated financial statements for the year ended 31 December 2013, notwithstanding the shareholders' agreement between the Group and another shareholder of UVL (holding the remaining 80% equity interest in UVL) in relation to UVL has not yet been finalised at the date of issue of these financial statements.

17 INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information of the associate, reconciled to the carrying amount in the consolidated financial statements, are disclosed below.

	2013 HK$'000
Gross amounts of UVL	
Non-current assets	**3,751,189**
Current liabilities	**(1,788,508)**
Non-current liabilities	**(1,946,031)**
Equity	**16,650**
Loss from continuing operations	**(44)**
Total comprehensive income	**(44)**
Reconciled to the Group's interest in UVL	
Gross amounts of net assets of UVL	**16,650**
Group's effective interest	**20%**
Group's share of net assets of UVL	**3,330**
Amount due from UVL — non-current portion	**383,790**
Amount due from UVL — current portion	**343,452**
Carrying amount in the consolidated financial statements	**730,572**

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables	**715**	650	**–**	–
Less: Allowance for doubtful debts (note (b))	**–**	(31)	**–**	–
Trade receivables, net of provisions (note (a))	**715**	619	**–**	–
Amortised rent receivables	**289**	594	**–**	–
Other receivables	**6**	11,744	**–**	2,005
Deposits	**2,397**	2,393	**–**	–
Prepayments	**313**	533	**167**	517
	3,720	15,883	**167**	2,522

18 TRADE AND OTHER RECEIVABLES *(continued)*

(a) The ageing analysis of trade receivables (net of allowance for doubtful debts), based on the date of revenue recognition, is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
0 to 30 days	**549**	570
31 to 90 days	**166**	49
	715	619

The Group's credit policy is set out in note 24(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**31**	–
Impairment loss recognised	**–**	31
Uncollectible amounts written off	**(31)**	–
At 31 December	**–**	31

At 31 December 2013, none of the Group's trade receivables were individually determined to be impaired.

At 31 December 2012, the Group's trade receivables of HK$31,000 were individually determined to be impaired. The individually impaired receivables related to tenants who were in financial difficulties and management assessed that the receivables were expected to be not recoverable. Consequently, specific allowances for doubtful debts of HK$31,000 were recognised. The Group did not hold any collateral over these balances.

18 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Less than 1 month past due	**549**	570
1 to 3 months past due	**166**	49
	715	619

Receivables that were past due but not impaired relate to a number of independent tenants who have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**2,232**	1,632	**1,917**	1,427
Deposits received	**20,371**	16,852	**–**	–
Accruals	**2,132**	1,764	**626**	478
	24,735	20,248	**2,543**	1,905

Except for the rental deposits received on properties of HK$9,031,000 (2012: HK$8,322,000) which are expected to be settled after one year, all of the other payables and accruals are expected to be settled within one year or are repayable on demand.

20 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest-bearing (note (a))	**150,000**	–	**–**	–
Interest-free (note (b))	**1,658**	–	**1,250**	–
	151,658	–	**1,250**	–

Notes:

(a) The balance is unsecured, interest-bearing at HIBOR plus 2.8% per annum and is expected to be repaid within one year.

(b) The balance is unsecured, interest-free and repayable on demand.

21 BANK LOANS, SECURED

	The Group	
	2013	2012
	HK$'000	HK$'000
Secured bank loans	**521,500**	–
Other borrowing costs capitalised	**(6,000)**	–
Total bank loans	**515,500**	–
Representing secured bank loans		
Due within one year	**5,500**	–
Due after one year (between one and two years)	**510,000**	–
	515,500	–

The Group's banking facilities of HK$591,500,000 (2012: HK$600,000,000) are secured by investment properties with a carrying amount of HK$1,384,700,000 at 31 December 2013 (2012: HK$1,259,590,000), of which HK$521,500,000 was utilised (2012: nil).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and an obligation on an intermediate holding company to maintain its beneficial interest in the issued share capital of one of the subsidiaries of the Group. At 31 December 2013 and 2012, none of the covenants relating to drawn down facilities had been breached. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 24(b).

22 DEFERRED TAX IN THE CONSOLIDATED BALANCE SHEET

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group

	Depreciation allowances in excess of related depreciation HK$'000	Future benefit of tax loss HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 January 2013	**26,688**	**(2,742)**	**23,946**
Charged/(credited) to profit or loss	**1,967**	**(214)**	**1,753**
At 31 December 2013	**28,655**	**(2,956)**	**25,699**
At 1 January 2012	155,545	(91,440)	64,105
Charged to profit or loss	5,322	11,827	17,149
Distributed businesses	(134,179)	76,871	(57,308)
At 31 December 2012	26,688	(2,742)	23,946

	2013 HK$'000	2012 HK$'000
Net deferred tax assets recognised on the balance sheet	**(2,068)**	(1,994)
Net deferred tax liabilities recognised on the balance sheet	**27,767**	25,940
	25,699	23,946

Deferred tax assets not recognised:

The Group has not recognised deferred tax assets of HK$276,000 (2012: nil) in respect of accumulated tax losses as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2013. The tax losses do not expire under current tax legislation.

23 TOTAL EQUITY

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Share capital HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	**2,596**	**–**	**351,212**	**353,808**
Changes in equity for 2013:				
Profit and total comprehensive income for the year	**–**	**–**	**7,448**	**7,448**
Final dividend approved in respect of the previous year (note 11(b))	**–**	**–**	**(7,791)**	**(7,791)**
At 31 December 2013	**2,596**	**–**	**350,869**	**353,465**
At 1 January 2012	2,596	2,591,269	554,990	3,148,855
Changes in equity for 2012:				
Profit and total comprehensive income for the year	–	–	138,078	138,078
Final dividend approved in respect of the previous year (note 11(b))	–	–	(122,052)	(122,052)
Special cash dividend declared in respect of the current year (note 11(a))	–	(202,632)	–	(202,632)
Distribution in specie	–	(2,388,637)	(219,804)	(2,608,441)
At 31 December 2012	2,596	–	351,212	353,808

23 TOTAL EQUITY *(continued)*

(b) Share capital

The Company

	2013		2012	
	No. of shares	Amount HK$'000	No. of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**750,000,000**	**7,500**	750,000,000	7,500
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**259,685,288**	**2,596**	259,685,288	2,596

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-equity ratios and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as amount due to an intermediate holding company (interest-bearing portion) and total bank borrowings (including current and non-current bank borrowings) less bank balances and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and non-controlling interests.

23 TOTAL EQUITY (continued)

(c) Capital management (continued)

The net debt-to-equity ratio at the balance sheet date is as follows:

		The Group	
	Note	2013 HK$'000	2012 HK$'000
Amount due to an intermediate holding company (interest-bearing portion)	20	**150,000**	–
Bank borrowings (excludes other borrowing costs capitalised)	21	**521,500**	–
Less: Bank balances and cash		**(20,708)**	(50,151)
Net debt		**650,792**	(50,151)
Shareholders' equity		**1,422,659**	1,278,944
Net debt-to-equity ratio		**0.46**	N/A

Save for the financial covenants requirement for the banking facilities disclosed in note 21, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and bank balances and cash. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all tenants requiring credit over a certain amount. These evaluations focus on the tenant's past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. Reminders are issued bi-weekly when trade receivables have been overdue for 15 days, and legal actions will be taken when the trade receivables are overdue for two months. Normally, the Group does not obtain any collateral from tenants. The ageing of trade receivables at 31 December 2013 is summarised in note 18(a).

Cash is deposited with financial institutions with sound credit ratings to minimise credit exposure.

There is no significant concentration of credit risk within the Group.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk

Cash management of the Company and its subsidiaries are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

The Group

	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013						
Other payables and accruals	**24,735**	**–**	**–**	**–**	**24,735**	**24,735**
Amount due to an intermediate holding company	**156,182**	**–**	**–**	**–**	**156,182**	**151,658**
Bank loans, secured	**19,463**	**523,625**	**–**	**–**	**543,088**	**515,500**
	200,380	**523,625**	**–**	**–**	**724,005**	**691,893**
At 31 December 2012						
Other payables and accruals	20,248	–	–	–	20,248	20,248

The Company

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
At 31 December 2013						
Other payables and accruals	**2,543**	**–**	**–**	**–**	**2,543**	**2,543**
Amount due to an intermediate holding company	**1,250**	**–**	**–**	**–**	**1,250**	**1,250**
	3,793	**–**	**–**	**–**	**3,793**	**3,793**
Financial guarantee issued: — Maximum amount guaranteed (note 25)	**521,500**	**–**	**–**	**–**	**521,500**	**–**
At 31 December 2012						
Other payables and accruals	1,905	–	–	–	1,905	1,905

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

At 31 December 2013, the Group is exposed to changes in interest rates due to its amount due to an intermediate holding company (see note 20) and bank loans (see note 21) and, which have an average effective interest rate of 3% per annum. The Group managed its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility.

At 31 December 2012, the Group had no significant interest bearing financial assets other than bank balances and cash. The Group's income and operating cash flows were substantially independent of changes in market interest rates.

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately HK$1,402,000.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and has been applied to re-measure the borrowings held by the Group which expose the Group to interest rate risk at the balance sheet date.

(d) Foreign currency risk

The Group owns assets and conducts its business primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars, and has no significant exposures to foreign currency risk at 31 December 2013 and 2012.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2013 and 2012.

25 CONTINGENT LIABILITIES

The Company has given a guarantee in respect of banking facilities of a wholly-owned subsidiary to the extent of HK$591,500,000 at 31 December 2013 (2012: HK$600,000,000), of which HK$521,500,000 was utilised (2012: nil). At the balance sheet date, the directors did not consider it probable that a claim would be made against the Company under the guarantee. The Company did not recognise any deferred income in respect of the guarantee as its fair value could not be reliably measured using observable market data and no consideration was received or receivable for the issuance of the guarantee.

26 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Acquisition of 20% interest in TW6 Project

On 16 May 2013, the Group entered into an agreement to acquire the entire issued share capital of Wkdeveloper Limited ("Wkdeveloper") and all related shareholder's loan from Vanke Property (Hong Kong) Company Limited ("Vanke HK"), an intermediate holding company of the Company, at a cash consideration of HK$722,000,000, subject to upward adjustment. The final consideration is HK$727,900,000. The principal assets held by Wkdeveloper are 20% equity interest in UVL, which is the holder of the rights to the development of the West Rail Tsuen Wan West Station TW6 Property Development ("TW6 Project"), and the shareholder's loan to UVL. The transaction was completed in August 2013.

	2013 HK$'000
Net assets acquired:	
Investment cost in UVL	**3,339**
Amount due from UVL	**724,561**
Shareholder's loan from Vanke HK	**(727,900)**
Net identifiable assets and liabilities	**–**
Shareholder's loan from Vanke HK	**727,900**
Total consideration	**727,900**
Less: consideration paid	**(577,900)**
Amount due to Vanke HK at 31 December 2013 (note 20 (a))	**150,000**

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) 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.

	2013 HK$'000	2012 HK$'000
Management and administrative fee payable to an intermediate holding company (note (i))	**4,390**	–
Management and administrative fee paid to former related companies (note (d))	**–**	2,246
Rental and management fee income from former related companies (note (e))	**–**	9,617
Key management compensation (note (ii))	**1,560**	5,001

Notes:

(i) Management and administrative fee is charged at terms agreed by both parties. The details of the amount due to the intermediate holding company are set out in note 20. This transaction constitutes a continuing connected transaction to the Company under the Listing Rules, which is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

(ii) Key management personnel represent the directors of the Company.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) In August 2013, the Group acquired the entire issued share capital of Wkdeveloper and all related shareholder's loan from Vanke HK at a cash consideration of HK$727,900,000 (see note 26). Pursuant to the sale and purchase agreement, Vanke HK acts as guarantor of the Group in respect of any of the obligations of the Group in relation to the TW6 Project. The transaction constituted a major and connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company (the "EGM") held on 21 June 2013. The transaction was completed on 14 August 2013.

(c) On 18 June 2012, the Group entered into an agreement to purchase the remaining 4.76% interest in WK Property Financial Limited ("WKPFL") at a cash consideration equal to 1/21 of the consolidated net asset value of WKPFL and its wholly-owned subsidiary from Parex International Limited ("Parex"), a company in which a former director of the Company was beneficially interested. Contemporaneously with the share acquisition, WKPFL was required to repay all the outstanding shareholders' loans that were owed to Parex by WKPFL; and to declare and pay dividends to the shareholders of WKPFL. The transactions constituted special deals under the Takeovers Code and were approved by the independent shareholders of the Company at the EGM held on 9 July 2012. Completion of the transactions took place on 16 July 2012.

A total consideration of HK$69,573,000 was paid to Parex, comprising share acquisition of HK$14,333,000, shareholder loan repayment of HK$32,498,000 and dividend payment of HK$22,742,000.

(d) On 18 June 2012, the Group entered into an agreement relating to the provision of administrative, property management, agency and leasing services by the former controlling shareholder of the Company in a manner and on terms consistent with the provision of such services over the twelve months immediately preceding 13 May 2012, the date of the Agreement relating to the change of controlling shareholder of the Company. The agreement constituted a special deal under the Takeovers Code and was approved by the independent shareholders of the Company at the EGM held on 9 July 2012. The agreement took effect from 16 July 2012. Upon the completion of the Agreement in July 2012, these companies are no longer related parties of the Group.

(e) On 18 June 2012, the Group, including its former subsidiaries, entered into various tenancy agreements in relation to the leasing of premises to related parties. The entering into of the tenancy agreements constituted continuing connected transactions of the Company under the Listing Rules and/or special deals under the Takeovers Code. Each of the tenancy agreements were approved by the independent shareholders of the Company at the EGM held on 9 July 2012. The rental and management fee income was charged at rates pursuant to the tenancy agreements. Upon the completion of the Agreement in July 2012, these companies are no longer related parties of the Group.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments and standard is expected to be in the period of initial application and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

List of Subsidiaries

At 31 December 2013

Name of subsidiary	Issued share capital		Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Access Rich Limited	Ordinary	HK$1	100%	–	100%	Property investment
Chericourt Company Limited	Ordinary	HK$1,000,000	100%	–	100%	Property investment
Future Best Developments Limited (note (a))	Ordinary	US$1	100%	100%	–	Investment holding
Mainland Investments Group Limited (note (a))	Ordinary	US$1	100%	100%	–	Investment holding
Vanke Best Company Limited	Ordinary	HK$1	100% (2012: nil)	100%	–	Provision of administrative services
WK Parking Limited	Ordinary Deferred	HK$18,000,000 HK$2,000,000 (note (b))	100% –	– –	100% –	Property investment
WK Property Financial Limited	Ordinary	HK$840	100%	–	100%	Investment holding and property investment
Wkdeveloper Limited (note (a))	Ordinary	US$1	100% (2012: nil)	–	100%	Investment holding

Notes:

(a) This company is incorporated in the British Virgin Islands.

(b) The deferred shares are held by Winner Company (Hong Kong) Limited and Tatkit (Nominees) Limited, companies in which a former director of the Company has beneficial interest. According to the Memorandum and Articles of Association of WK Parking Limited, the holders of deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up unless the assets of the company to be returned on winding up exceed the value of HK$100,000,000,000.

(c) Unless stated otherwise, all companies are incorporated and operate principally in Hong Kong. None of the subsidiaries have issued any debt securities.

List of Properties

At 31 December 2013

(a) Completed and held for investment

Location	Lease expiry	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type	Effective interest
Regent Centre, 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, The Remaining Portion of Lot No.299 in D.D. No.444, Kwai Chung, New Territories, Hong Kong	2047	103,500	657,000 (remaining portion)	Industrial/ Godown	100%

(b) Under development

Location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type	Effective interest	Stage of completion	Expected date of completion
Tsuen Wan Town Lot No. 402, West Rail Tsuen Wan West Station, Tsuen Wan, New Territories	148,586	675,021	Residential	20%	Foundation	2018

Five-Year Financial Summary

Group results

	Year ended 31 December				
	2013 HK$'000	2012 HK$'000 (Note (a))	2011 HK$'000 (Note (a))	2010 HK$'000 (Note (a))	2009 HK$'000 (Notes (a) and (b))
Turnover	**82,550**	331,075	478,330	403,708	290,332
Profit attributable to shareholders of the Company	**151,506**	506,193	2,465,238	2,460,044	484,757

Summary consolidated balance sheet

	At 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000 (Note (b))
Non-current assets	**1,773,902**	1,261,584	13,301,910	11,596,004	10,123,470
Net current assets/(liabilities)	**186,524**	43,300	(127,510)	120,569	(516,748)
Total assets less current liabilities	**1,960,426**	1,304,884	13,174,400	11,716,573	9,606,722
Non-current liabilities	**(537,767)**	(25,940)	(1,817,217)	(2,242,839)	(2,580,583)
Net assets	**1,422,659**	1,278,944	11,357,183	9,473,734	7,026,139
Total equity attributable to shareholders of the Company	**1,422,659**	1,278,944	11,319,067	9,442,883	6,999,787
Non-controlling interests	**–**	–	38,116	30,851	26,352
Total equity	**1,422,659**	1,278,944	11,357,183	9,473,734	7,026,139

Notes:

(a) The Group's results included both continuing operations and discontinued operations.

(b) Comparatives in this year have been restated as a result of the adoption of HK-Int 5, *Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause* and HKAS 12 (Amendment), *Income taxes — Deferred tax: Recovery of underlying assets* in 2010.