新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

(Stock Code: 86)

45周年 years

Excellence ▪ Integrity ▪ Innovation ▪ Prudence ▪ Professionalism

Annual Report 2013

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lee Seng Huang
(Group Executive Chairman)
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

Non-Executive Directors

Ahmed Mohammed Aqil Qassim Alqassim
Ho Chi Kit
(Roy Kuan as his alternate)
Leung Pak To
(Liu Zheng as his alternate)

Independent Non-Executive Directors

David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Peter Wong Man Kong

EXECUTIVE COMMITTEE

Lee Seng Huang *(Chairman)*
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

NOMINATION COMMITTEE

Lee Seng Huang *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Peter Wong Man Kong
Ho Chi Kit
(Roy Kuan as his alternate)

REMUNERATION COMMITTEE

Peter Wong Man Kong *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Ho Chi Kit
(Roy Kuan as his alternate)

AUDIT COMMITTEE

Alan Stephen Jones *(Chairman)*
David Craig Bartlett
Carlisle Caldow Procter
Peter Wong Man Kong
Ho Chi Kit
(Roy Kuan as his alternate)

RISK MANAGEMENT COMMITTEE

Lee Seng Huang *(Chairman)*
Joseph Tong Tang *(Alternate Chairman)*
William Leung Wing Cheung
Peter Anthony Curry
Ho Chi Kit
(Roy Kuan as his alternate)

COMPANY SECRETARY

Hester Wong Lam Chun

INVESTOR RELATIONS

investor.relations@shkco.com

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Clifford Chance
Davis Polk & Wardwell
King & Wood Mallesons
Linklaters
P. C. Woo & Co.

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited
The Bank of New York Mellon
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Wing Hang Bank, Limited

REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 31 March 2014)

REGISTERED OFFICE

42/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

WEBSITES

www.shkco.com
www.shkf.com
www.shkfg.com
www.shkdirect.com
www.shkprivate.com
www.shkfinance.com.hk
www.shkforex.com
www.uaf.com.hk
www.uaf.com.cn

Corporate Profile

Sun Hung Kai & Co. Limited (the "Company", together with its subsidiaries, also known as the "Group") is one of the leading financial institutions in Hong Kong with its foundation dating back to 1969. Listed on the Hong Kong Stock Exchange in 1983 (Stock Code: 86), the Company, through its subsidiaries, including Sun Hung Kai Financial Limited ("Sun Hung Kai Financial") and United Asia Finance Limited ("UAF"), offers customised financial solutions for retail, corporate and institutional clients.

Operating under Sun Hung Kai Financial and UAF, the Group has four core business segments, which are

- Wealth Management and Brokerage,
- Capital Markets,
- Consumer Finance and
- Principal Investments.

It has an extensive branch and office network of more than 170 locations in Hong Kong, Macau and Mainland China. As of 31 December 2013, the Group has more than HK$13.4 billion in shareholders' equity.

For the past 45 years, we have always put our customers first. Our dedicated professional staff, with years of experience and an enviable track record in the financial industry, are always striving to provide investment and financial services that meet the needs of our customers.

To keep pace with the ever-changing financial environment, in recent years the Group has actively formed alliances with a number of significant local and international companies, with the objective of expanding our business and providing diversified products to satisfy the needs of our wide range of customers.

The success of the Group is based not only on its sound strategic business model, but also on our five important guiding principles: Excellence, Integrity, Innovation, Prudence and Professionalism, in which each plays a crucial role in ensuring the Group's continued growth.

As we grow our business, we never lose sight of our role as a responsible corporate citizen. Our member companies, Sun Hung Kai Financial and UAF have been named as a Caring Company by the Hong Kong Council of Social Services in recognition of their commitment in caring for the community, the employees and the environment. We have also set up Sun Hung Kai Financial Foundation to formalise our community involvement. The Foundation focuses primarily on environmental, healthcare, arts and cultural areas. Progress has been made on greening of our operations, with the launch of "Going Green" drives including Toner-save, Power-save and Paper-save programmes. We expect more environmentally friendly programmes to be rolled out in the coming years as part of our Corporate Social Responsibility ("CSR") mission.

Corporate Milestones

1969

Sun Hung Kai & Co. was formed by Mr. Fung King Hey, Mr. Kwok Tak Seng and Mr. Lee Shau Kee. In 1973, Sun Hung Kai Securities Limited ("SHKS") was incorporated.

1983

Sun Hung Kai & Co. Limited (the "Company") was formed and listed on the Hong Kong Stock Exchange.

1991

Sun Hung Kai Investment Services Limited ("SHKIS") became one of the first underwriters and approved overseas agents in the Shanghai and Shenzhen Stock Exchanges.

1993

SHKIS was approved as a B-share seat holder of the Shanghai and Shenzhen Stock Exchanges.

1996

Allied Properties (HK) Limited ("APL"), via its wholly-owned subsidiary, acquired the Fung family's equity interest in the Company.

1997

SHKIS was approved as a Foreign Share Broker and Lead Underwriter by the China Securities Regulatory Commission.

2000

SHKOnline.com (now known as "SHK Direct") was launched and was among the first batch of brokers offering straight-through Internet-based order processing.

2002

The Company diversified its operations by establishing wealth management and alternative investment businesses.

2004

Sun Hung Kai International Bank [Brunei] Limited was officially opened, and the equity interest of APL in the Company increased to approximately 74.99% (currently stands at approximately 56.16%).

2006

The Company entered the consumer finance area by acquiring UAF Holdings Limited, and built its Mainland China strategy through a JV with Zhe Jiang Province Yongan Futures Broker Company Limited.

2007

The Company entered a strategic partnership with Dubai Investment Group through a placement of 166 million shares.

2010

The Company relocated its business units to The Lee Gardens in Causeway Bay. The Company formed strategic alliances with CVC Capital Partners and Macquarie FX Investments Pty Limited, a subsidiary of Macquarie Bank Limited.

2011

SHK Private, a signature account of the Company, was established to provide customised wealth management services to high-net-worth clients. The Company formed strategic alliance with Look's Asset Management Limited.

SHKS was renamed as Sun Hung Kai Financial Limited effective 1 December 2011 to align the corporate name with its Sun Hung Kai Financial brand.

Financial Highlights

KEY DATA

(HK$ Million)	**2013**	2012	Change
Revenue	**4,575.5**	3,723.4	23%
Operating earnings	**1,625.9**	1,328.4	22%
Profit attributable to owners of the Company	**1,051.6**	1,036.4	1%
Per Share Data			
Earnings per share (HK cents)	**49.4**	48.9	
Dividend per share (HK cents)	**22.0**	22.0	
Book value per share (HK$)	**6.3**	5.9	
Financial Ratios			
Return on assets	**5.3%**	5.6%	
Return on equity	**7.8%**	8.1%	
Net gearing	**36.1%**	19.4%	

REVENUE ANALYSIS

(HK$ Million)	**2013**	2012	Change
Revenue	**4,575.5**	3,723.4	23%
Breakdown by Geography			
– Hong Kong	***3,166.1***	*2,770.3*	14%
– Mainland China	***1,329.7***	*942.3*	41%
– Others	***79.7***	*10.8*	638%
Breakdown by Type			
– Interest income	***3,786.6***	*3,074.1*	23%
– Brokerage, commission and service income	***741.8***	*594.6*	25%
– Fees received from funds management	***15.7***	*17.7*	-11%
– Others	***31.4***	*37.0*	-15%

PROFIT OR LOSS ANALYSIS

(HK$ Million)	**2013**	2012	Change
Revenue	**4,575.5**	3,723.4	23%
Operating expenses	**(1,959.2)**	(1,690.5)	16%
As % of revenue ("cost to income")	***43%***	*45%*	
– Brokerage and commission expenses	***(260.0)***	*(187.9)*	38%
– Advertising and promotion expenses	***(125.3)***	*(124.7)*	0%
– Direct cost and operating expenses	***(80.0)***	*(72.5)*	10%
– Administrative expenses	***(1,470.4)***	*(1,290.9)*	14%
– Other expenses	***(23.5)***	*(14.5)*	62%
Finance costs	**(400.5)**	(200.8)	99%
Operating Earnings before Bad and Doubtful Debts	**2,215.8**	**1,832.1**	21%
Bad and doubtful debts	**(589.9)**	(503.7)	17%
Operating Earnings	**1,625.9**	**1,328.4**	22%
Other income	**103.8**	184.5	-75%
Other non operating expenses^	**(31.6)**	–	
Net exchange gain (loss)	**(75.8)**	3.7	
Net profit on financial assets and liabilities	**79.3**	171.5	
Associates	**11.8**	10.9	
Joint ventures	**6.8**	1.3	
Profit Before Taxation	**1,720.2**	**1,700.3**	1%
Taxation	**(260.3)**	(276.0)	-6%
Non-controlling interests	**(408.3)**	(387.9)	5%
Profit attributable to Owners of the Company	**1,051.6**	**1,036.4**	1%

^ Loss recognised from the liquidation of a subsidiary in the Philippines that ceased operations many years ago and included in the "other expenses" item in the Consolidated Statement of Profit or Loss.

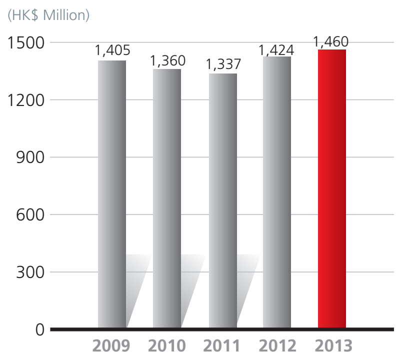
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

(HK$ Million)	**2013**	2012	Change
Total loans and advances to customers:	**16,318.8**	13,317.4	23%
– Consumer finance loans	**10,043.5**	8,293.8	21%
– Margin loans	**3,918.7**	3,286.7	19%
– Term loans	**2,356.6**	1,736.9	36%
Total borrowings	**8,582.5**	7,535.3	14%
– Current	**2,801.6**	3,166.6	-12%
– Long term	**5,780.9**	4,368.7	32%
Bank deposits, cash and cash equivalents	**3,738.5**	5,035.3	-26%
Total assets	**27,804.1**	25,255.6	10%
Shareholder's equity	**13,402.1**	12,863.0	4%

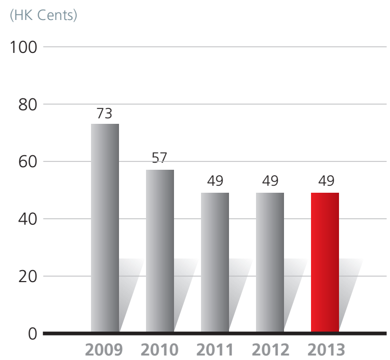
SHARE INFORMATION

	2013	2012
No of shares in issue at year end (million)	**2,123.6**	2,162.1
Weighted average number of shares (million)	**2,127.7**	2,120.1
Earnings per share (HK cents)	**49.4**	48.9
Dividend per share (HK cents)	**22.0**	22.0
– Final	**12.0**	12.0
– Interim	**10.0**	10.0
Share price (HK$)		
– Highest	**5.80**	5.07
– Lowest	**4.00**	3.52
– Close	**4.32**	5.03
Market capitalization (HK$ million)	**9,174.0**	10,875.4

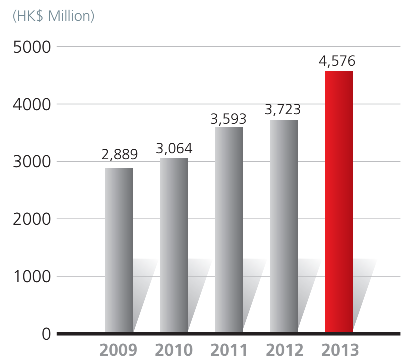
Profit after Taxation



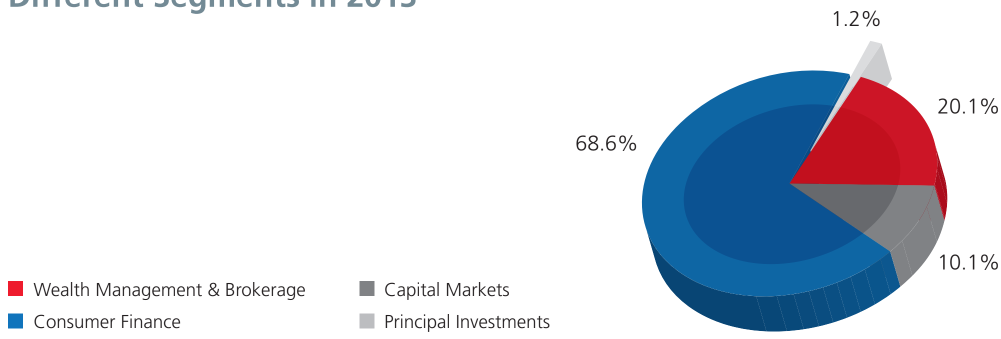
Basic Earnings per Share



Revenue



Share of Revenue of Different Segments in 2013



FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2009 HK$ Million (Notes a & c)	2010 HK$ Million (Notes a & c)	2011 HK$ Million	2012 HK$ Million	**2013** **HK$ Million**
RESULTS					
Revenue	2,889.3	3,064.1	3,593.2	3,723.4	**4,575.5**
Profit attributable to owners of the Company	1,258.4	1,087.0	1,032.4	1,036.4	**1,051.6**
Retained profits carried forward (after proposed final dividend)	6,150.7	3,200.2	3,757.2	4,261.7	**4,671.2**

	At 31 December				
	2009 HK$ Million (Notes b & c)	2010 HK$ Million (Note c)	2011 HK$ Million	2012 HK$ Million	**2013** **HK$ Million**
ASSETS AND LIABILITIES					
Current assets	10,141.0	13,016.1	14,230.6	16,288.7	**17,550.7**
Total assets	20,877.3	20,151.3	22,494.4	25,255.6	**27,804.1**
Current liabilities	5,493.6	4,047.6	4,115.2	4,701.1	**4,942.1**
Total liabilities	6,462.9	6,923.2	8,091.4	9,290.3	**10,984.8**

Notes:

(a) The comparative figures of revenue in 2009 and 2010 have been restated to conform to the reclassification of net profit (loss) on financial assets and liabilities from revenue to a separate item in the consolidated statement of profit or loss taken place in 2011.

(b) The comparative figures of assets and liabilities in 2009 have been restated as a result of the adoption of the amendment to HKAS 17 "Lease" and Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" in 2010.

(c) The comparative figures of profit attributable to owners of the Company, retained profits carried forward, current liabilities and total liabilities in 2009 and 2010 have been restated as a result of the adoption of the amendment to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" and the reclassification of accrued interest expenses under trade and other payables to respective financial liabilities in 2011.

Letter from the Chairman

Dear Shareholders,

I am pleased to report an encouraging year of continued development for Sun Hung Kai & Co. Limited (the "Company", with its subsidiaries, the "Group") in 2013 in spite of the persistent volatility in the global markets.

The Group recorded a profit before tax of HK$1,720.2 million in 2013 (2012: HK$1,700.3 million). Profit attributable to owners of the Company amounted to HK$1,051.6 million (2012: HK$1,036.4 million), and earnings per share was HK49.4 cents (2012: HK48.9 cents). The Board of Directors of the Company (the "Board" or the "Directors") has recommended a final dividend of HK12 cents per share (2012: HK12 cents per share). Together with the interim dividend of HK10 cents per share, total dividends for the year will be HK22 cents (2012: HK22 cents), representing a pay-out ratio of 44.4% of our profit attributable to the owners of the Company.

In 2013, the Group achieved several major milestones. United Asia Finance Limited ("UAF"), our Consumer Finance business, opened its 150th branch in October and expanded into three new cities – Shanghai, Fuzhou, and Harbin. Two new licences for Qingdao and Nanning were also obtained and operations will commence shortly. As of 31 December 2013, UAF had a total of 105 branches across 12 cities/provinces in Mainland China, compared with 79 branches in nine cities/provinces at the end of December 2012. UAF's total loan book surpassed HK$10 billion; an increase of 21% compared to 2012, and continues to grow at an encouraging rate.

UAF's Mainland China business has been a key growth driver for the Group. Bolstered by our experience and track record in Hong Kong, we have been able to meet the demands of the Mainland's thriving market for flexible, convenient loan services for consumers and SMEs. The pace at which we have expanded our branch network has strengthened our brand positioning and leadership in the market.

At the same time, our Wealth Management and Brokerage business continues to gain traction in diversifying its product range with a solid rebound in revenue. Leveraging on our diversified investment platform and independent wealth management infrastructure, we aim to build long-term and mutually beneficial relationships with our retail, corporate and institutional clients, to whom we offer enhanced research support, high quality service and access to a wide range of all-weather financial products. We continue to develop a diverse range of revenue streams that are less dependent upon the equity market volumes, making us and our customers more resilient in the face of economic cycles.

To this end, we were pleased to enter into a long-term strategic partnership with China Everbright Bank in June. This agreement provides the bank's high net worth individuals in Mainland China with a complete cross-border wealth management solution through our financial services platform including a variety of overseas investment channels, asset allocation strategies and advice from our investment consultants. We will continue to pursue similar opportunities as the Mainland progressively liberalises its financial services sector.

Our Capital Markets division as a whole performed satisfactorily with a strong earnings increase in 2013, despite a difficult market environment for much of the year. The onset of tighter liquidity as well as a volatile IPO market, generated strong demand from corporate customers seeking debt financing for their growth requirements. Our structured loan portfolio increased to a record high during the year.

As the Group prepares to commemorate its 45^{th} anniversary in 2014, it seems appropriate to reflect on the history of our business. The company was founded as a local stockbroker in 1969, with seven employees, the same year that the Hang Seng Index was established. Since then, we have evolved into a leading financial institution with about 5,700 staff and investment/sales consultants and more than 170 branches and offices across Hong Kong, Macau and Mainland China. Guided by our core values and expertise, we have helped retail, corporate and institutional clients realise their goals with innovative products, services and financial solutions.

Our diversified revenue streams encompass both interest income (accounting for 83% of turnover), and non-interest income in the form of commissions and fees, and other revenue. Leveraging on our expertise and client network, we have built substantial loan books in the Sun Hung Kai Financial business over the years. Together with the UAF business, our diversified loan portfolio now surpasses HK$16 billion across consumer finance, margin financing, and structured finance for corporate customers. In addition, the quality of commission income has strengthened as we become less dependent on the equity markets.

In addition to delivering sustained profitability, the Group is committed to balanced growth and upholding our social responsibility. We were honoured to receive the Gold Award in The Asset's Excellence in Management and Corporate Governance Awards 2013. This award recognises our deep commitment to corporate governance, social and environmental responsibility, and investor relations. Recently, we were also named a 10 Years Plus Caring Company by the Hong Kong Council of Social Services. This accolade recognises the Group's continuous support and contribution as a responsible corporate citizen of Hong Kong.

Looking ahead, markets may well be faced with some uncertainties as the US Federal Reserve continues to taper its economic stimulus package. Emerging markets may also suffer some turbulence. Nevertheless, we will continue to steer our business with prudence and a tight oversight on efficiency.

Our strategy is clear. We intend to remain at the forefront of Greater China's financial services industry by staying true to our five core values: excellence, integrity, prudence, professionalism and innovation. We are also actively examining ways to enhance shareholder value as our shares remain below their fair value. Our two market-leading subsidiaries – UAF and Sun Hung Kai Financial – and strong asset base are worth substantially more than our current market capitalisation.

Guided by our long-term strategic goals, the Group is well-placed to respond to any unforeseen challenges and seize new opportunities as they arise.

On behalf of the Board, I would like to thank our shareholders, business partners and clients for their ongoing support. I would also like to extend my appreciation to our dedicated employees, both past and present for their professionalism and contribution to the Group's activities last year, and for doing their part in writing our history over the past 45 years.

Lee Seng Huang
Group Executive Chairman

Hong Kong, 20 March 2014

RESULTS ANALYSIS

The Group's strategy is to:

– prudently grow our loan business while maintaining a balance on yield relative to risk;

– grow fee income in the Sun Hung Kai Financial businesses through new segments and products, while emphasising products with a lower correlation with market volatility, such as wealth management products; and

– continue to improve our balance sheet structure and efficiency.

The Group performed well and delivered solid results for the year ended 31 December 2013. Operating earnings saw a healthy increase of 22% over 2012 to HK$1,625.9 million. Despite continued market volatility, and worries about a possible slowdown in Mainland China, both Sun Hung Kai Financial and United Asia Finance Limited ("UAF") performed satisfactorily. Total revenue rose by 23% with both interest income and brokerage, and commission revenue, witnessing positive growth during the year.

(HK$ Million)	**2013**	2012	change
Revenue	**4,575.5**	**3,723.4**	**23%**
Operating Expenses	**(1,959.2)**	(1,690.5)	16%
As % of revenue ("cost to income")	***42.8%***	*45.4%*	
Finance Costs	**(400.5)**	(200.8)	99%
Operating Earnings before bad and doubtful debts	**2,215.8**	**1,832.1**	**21%**
Bad and doubtful debts	**(589.9)**	(503.7)	17%
Operating Earnings	**1,625.9**	**1,328.4**	**22%**
Other income	**103.8**	184.5	-75%
Other non operating expenses^	**(31.6)**	–	
Net exchange gain (loss)	**(75.8)**	3.7	
Net profit on financial assets and liabilities	**79.3**	171.5	
Associates	**11.8**	10.9	
Joint Ventures	**6.8**	1.3	
Profit Before Taxation	**1,720.2**	**1,700.3**	**1%**
Taxation	**(260.3)**	(276.0)	-6%
Non-controlling interests	**(408.3)**	(387.9)	5%
Profit attributable to owners of the Company	**1,051.6**	**1,036.4**	**1%**

^ Loss recognised from the liquidation of a subsidiary in the Philippines that ceased operations many years ago and included in the "other expenses" item in the Consolidated Statement of Profit or Loss.

The Group's loan books increased by 23% to HK$16,318.8 million at the end of 2013. Total interest income grew by 23%. In response to heightened demand from our corporate and institutional customers, the structured finance loan book under Capital Markets expanded from HK$1.7 billion at the end of 2012 to HK$2.4 billion at the end of 2013. Encouragingly, the Consumer Finance loan book under UAF surged by 21% with the total loan book exceeding HK$10 billion. After a short lull caused by concerns surrounding the Mainland Chinese economy, the Chinese Consumer Finance business picked up quickly in the second half of the year with the gross loan balance increasing by 44% for the year. This business now accounts for 29% of the Group's total revenue.

(HK$ Million)	As at 31.12.2013	As at 31.12.2012	Change
Loan Balances			
Consumer Finance loans	**10,043.5**	8,293.8	21%
Margin loans (Wealth Management & Brokerage)	**3,918.7**	3,286.7	19%
Term loans (Capital Markets)	**2,356.6**	1,736.9	36%
Total	**16,318.8**	13,317.4	23%
Interest Income			
Consumer Finance	**3,121.1**	2,568.5	22%
Wealth Management & Brokerage	**277.7**	296.1	-6%
Capital Markets	**366.6**	181.5	102%
Others	**21.2**	28.0	-24%
Total	**3,786.6**	3,074.1	23%

Total bad and doubtful debt expenses increased from HK$503.7 million to HK$589.9 million. This increase stemmed from the Consumer Finance business, reflecting a moderate rise in the charge-off ratio from 3.4% to 4.1%, as well as a higher allowance for provisions on a growing loan book. Offsetting this, bad debt provisions in the structured finance and margin loan business declined significantly. As a whole, bad debt expenses represented 3.6% of total loan balance (2012: 3.8%).

Finance costs increased from HK$200.8 million to HK$400.5 million. The Group's total borrowings amounted to HK$8,582.5 million at the end of 2013 (2012: HK$7,535.3 million). We also lengthened the borrowing duration and diversified funding sources by issuing bonds in September 2012 and May 2013.

During the year, the Group recorded lower asset disposal gains (under other income) with reduced profit from financial assets and liabilities as compared to 2012. As a result despite the robust growth in operating earnings, profit before tax increased marginally by 1%.

WEALTH MANAGEMENT & BROKERAGE

Wealth Management and Brokerage segment covers securities, structured products, futures, options, commodities, foreign exchange, discretionary portfolio management services, mutual funds, insurance, and Capital Investment Entrant Scheme (CIES) advisory. A platform under SHK Direct, "SHKF eMo!", is also available for customers who prefer to conduct trades on a "DIY" basis.

Sun Hung Kai Financial's total client assets under advice/custody or management amount to over HK$77.8 billion as of 31 December 2013.

The Company's margin loan book was nearly HK$4 billion at the end of 2013.

2013 was a turbulent year for the financial markets in Hong Kong and Mainland China. After a strong start, markets suffered from a sharp correction in the middle of the year with rising interbank rates in Mainland China accompanied by heightened concerns of a credit crunch and economic slowdown in the country. In Hong Kong, the Hang Seng Index fell to a yearly low, dipping below 20,000 points in late June. In the second half of the year, sentiment in both Mainland China and Hong Kong recovered as economic growth proved to be largely sustained, and as interest rates stabilised. Markets posted gains as detailed plans for economic and social reforms were released by the Chinese Central Government. The Hang Seng Index finished the year 2.9% higher, although the Shanghai Composite Index retreated 6.7%.

Against this backdrop, Sun Hung Kai Financial continued to develop its wealth management capabilities, providing independent, one-stop investment services. The segment achieved satisfactory results with a 10% increase in revenue and a 76% surge in pre-tax contributions.

(HK$ Million)	**2013**	2012	Change
Revenue	**920.1**	**839.5**	**10%**
– Interest Income	277.7	296.1	-6%
– Brokerage commission revenue	563.5	469.4	20%
– Other fee based income	78.9	74.0	7%
Operating Costs	**(657.2)**	**(643.7)**	**2%**
Cost to income (% Revenue)	*71.4%*	*76.7%*	
Finance costs^	(68.8)	(50.4)	
Bad and doubtful debts	(26.2)	(66.6)	
Operating Earnings	**167.9**	**78.8**	**113%**
Other income	2.0	2.5	
Exchange gain (loss)	(2.8)	1.1	
Net profit on financial assets and liabilities	25.0	25.2	
Joint ventures	3.6	3.8	
Pre-tax Contribution	**195.7**	**111.4**	**76%**

^ Include internal

Brokerage and commission revenue grew by 20% during 2013. Commission from brokerage products expanded 11%, in line with the higher average daily turnover on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year. Commissions from wealth management products increased more quickly by 38% over 2012 and accounted for 41% of the segment's total commission income. The growth was driven by the enhanced penetration of our customer base, as well as by the changing mix of our sales force in favour of investment consultants who specialise in wealth management products. Internally, we continued to strengthen our product research, sales support and processes. The results have been very pleasing, with a concurrent rise in wealth management product commission, overall efficiency and cost-to-income improvement.

Our brokerage margin loan balance rose to HK$3,918.7 million at the end of 2013 (2012: HK$3,286.7 million). With a higher proportion of margins loans from corporate customers, interest income from the margin loan book declined slightly by 6% to HK$277.7 million. Bad debts dropped significantly, improving overall profitability.

Looking forward, the markets experienced a volatile start to 2014. In this environment, we remain committed to continuing our transformation into a wealth management business with a view to building revenue streams that are more market-neutral in nature. Whilst exercising vigilance over our cost structures, we aim to continue our "Quality First" approach, keep strengthening our product and sales support infrastructure, and refine the sales mix to achieve our goals.

CAPITAL MARKETS

The Capital Markets segment services the Group's corporate and institutional clients. It covers structured lending, equity capital markets, and corporate and institutional sales business, offering equity and debt fund raising solutions for our clients.

The Group's Capital Markets division as a whole performed solidly in 2013. Revenue equalled HK$464.4 million, an increase of 97% from 2012. Contribution to pre-tax profit amounted to HK$163.2 million.

(HK$ Million)	2013	2012	Change
Revenue	**464.4**	**235.3**	**97%**
– Interest income	366.6	181.5	102%
– Brokerage commission revenue	49.4	23.5	110%
– Other fee based income	48.4	30.3	60%
Operating costs	**(133.9)**	**(77.3)**	**73%**
Cost to income (% Revenue)	*28.8%*	*32.9%*	
Finance costs^	(171.1)	(20.3)	
Bad and doubtful debts	3.6	(76.3)	
Operating Earnings	**163.0**	**61.4**	**165%**
Other income	4.1	0.1	
Exchange loss	(25.4)	(1.3)	
Net profit on financial assets and liabilities	21.5	82.6	
Pre-tax Contribution	**163.2**	**142.8**	**14%**

^ Include internal

This result was achieved despite a difficult market environment for most of the year as investors reacted to tighter credit conditions in Mainland China and the uncertainty surrounding the U.S. Federal Reserve's intention to taper its quantitative easing programme. However, there were some signs of relief towards the end of the year when the number of IPOs and other fund raising activities jumped significantly in comparison to the first part of the year. Total IPO funds raised in Hong Kong increased 85% from approximately HK$90 billion in 2012 to approximately HK$166.5 billion in 2013, largely as a result of deals completed in the last quarter of the year. The total number of newly-listed companies, including listing transfers from the Growth Enterprise Market to the Main Board, grew to 110 in 2013 from 64 in 2012, although nearly half of those were completed in the final quarter of the year.

The structured finance business grew significantly in 2013 due to strong demand from our corporate customers for debt financing. The term loan portfolio reached a record high, surpassing HK$3 billion in the third quarter. With loan repayments from some customers, the net term loan balance reduced to HK$2,356.6 million at the end of 2013, still 36% higher compared with HK$1,736.9 million at the end of 2012. As a result, interest income increased substantially by 102% to HK$366.6 million in 2013. The segment also recorded a HK$21.5 million profit on financial instruments, mainly from the mark to market gains from the equity linked component of one of our loans on completion of the associated IPO. We shall continue to actively look for similar business opportunities in the future alongside our "debt plus equity" strategy.

CONSUMER FINANCE

United Asia Finance Limited ("UAF") is a 58% owned subsidiary focusing on unsecured personal loans and mortgage loans.

UAF started operations in Mainland China in 2007 and its aggregate loan balance in the country now accounts for 36% of UAF's total. UAF has built a branch network of 154 outlets across Hong Kong and 12 major cities in Mainland China.

UAF's total loan book is about HK$10 billion, 21% higher than at the end of 2012.

The Group conducts its Consumer Finance business under UAF, a 58% indirectly-owned subsidiary, which operates money lending businesses in Hong Kong and Mainland China. In 2013, UAF's loan book surpassed HK$10 billion. Its profit attributable to shareholders amounted to HK$980 million (2012: HK$938 million), of which the Group's share was HK$570.3 million. The return on its total average shareholders funds of HK$6,625 million for the year was 14.8%. In Hong Kong, UAF holds a market leading position, ranking first amongst consumer finance companies and seventh amongst all financial institutions (including banks) in terms of unsecured personal loans, with a market share of approximately 5.3% in 2013 (excluding secured loans). In Mainland China, our total paid in capital surpassed HK$4.6 billion making us one of the largest small loans companies.

UAF increased its profit to another record high in 2013, backed by revenue growth of 22%. Profit before tax for the segment expanded by 7% to HK$1,223.5 million and operating earnings grew by 9%. As the value of the Renminbi appreciated against the Hong Kong dollar, a HK$30 million exchange loss was incurred during the year, mainly arising from borrowing denominated in Renminbi, but also partly due to the loss incurred when UAF's Mainland subsidiary converted its Hong Kong dollar capital into Renminbi as part of the loan underwriting process. The corresponding appreciation of Renminbi-denominated loans, however, is shown as an increase in reserves.

(HK$ Million)	2013	2012	Change
Revenue	**3,136.8**	**2,581.6**	**22%**
Operating Costs	**(1,102.7)**	**(937.3)**	**18%**
Cost to income (% Revenue)	*35.2%*	*36.3%*	
Finance cost^	(218.2)	(148.8)	
Bad and doubtful debts	(567.3)	(350.8)	
Operating earnings	**1,248.6**	**1,144.7**	**9%**
Other income	5.0	11.3	
Exchange loss	(30.1)	(8.5)	
Pre-tax Contribution	**1,223.5**	**1,147.5**	**7%**

^ Include internal

At the end of the year, the consolidated net Consumer Finance loan balance amounted to HK$10.0 billion, a 21% gain against the balance at the end of 2012. The gross loan balance before allowance for provision amounted to HK$10.6 billion. The growth rate attributed to gross loans in Hong Kong and Mainland China was 12% and 44% respectively. During the period under review, the loan book in Mainland China amounted to 36% (2012: 30%) of the consolidated gross balance.

Key Operating Data	2013	2012	Change
Net loan balance (HK$ million)	**10,043.5**	8,293.8	21%
Gross loan balance (HK$ million)	**10,642.7**	8,753.5	22%
– Hong Kong	**6,859.8**	6,125.4	12%
– PRC	**3,782.9**	2,628.1	44%
Total return on loans^	**29.5%**	29.5%	
– Hong Kong	**26.4%**	26.9%	
– PRC	**35.0%**	35.6%	
Net charge-off ratio (on gross loan balance)	**4.1%**	3.4%	
– Hong Kong	**3.7%**	3.2%	
– PRC	**4.8%**	3.9%	
Average gross balance per loan (HK$)	**61,382**	58,677	5%
– Hong Kong (HK$)	**64,546**	63,925	1%
– PRC (RMB)	**44,009**	39,598	11%

^ Revenue/gross loan balance

Charges for bad and doubtful debts rose from HK$350.8 million in 2012 to HK$567.3 million in 2013. These charges include the bad debts written-off net of recoveries ("charge-off") during the year, as well as charges of the impairment allowance, which is calculated based on the historical charge-off rates and loan growth. The charge of the impairment allowance during the year increased from HK$53.2 million in 2012 to HK$135.5 million in 2013, primarily as a result of the 22% growth in gross loans compared with 10% last year. In 2013, the charge-off amounted to HK$431.8 million (2012: HK$297.6 million). The charge-off rate, expressed as a percentage of the year-end gross loan balance was 4.1% for the year (2012: 3.4%). The increased charge-off rate reflected the slower pace of economic growth in Mainland China, especially during the first half of the year. However, this rate has improved slightly in the second half of the year, and overall it is expected to remain at a satisfactory level based on historical trends.

BAD DEBTS AND DELINQUENCY

(HK$ Million)	**2013**	2012
Bad Debts Analysis		
a. Amounts written off	**(519.3)**	(366.7)
b. Recoveries	**87.5**	69.1
c. Charge of impairment allowance	**(135.5)**	(53.2)
Total charges for bad and doubtful debts	**(567.3)**	(350.8)
Impairment Allowance	**599.2**	459.7
Gross loan balance	**10,642.7**	8,753.5
Net charge off (a+b) as % of gross loan balance	**4.1%**	3.4%
Impairment allowance as % of gross loan balance	**5.6%**	5.3%
Ageing analysis for loans and advances to consumer finance customers that were past due but not impaired:		
Less than 31 days past due	**600.0**	461.4
31 – 60 days	**124.9**	112.0
61 – 90 days	**55.5**	71.7
91 – 180 days	**114.0**	111.1
Over 180 days	**24.7**	24.3
Total	**919.1**	780.5
as % of net loan balance	**9.2%**	9.4%

Revenue and pre-tax contributions from the Consumer Finance business in Mainland China grew by approximately 41% and 26% respectively. The gross loan balance in Mainland China grew by 44%, while as noted above, the charge-off rate during the year was somewhat higher.

BRANCH NETWORK

City/Province	Number of new branches opened in 2013	Number of branches as at 31 December 2013
Hong Kong	3	49
Shenzhen	–	43
Shenyang	3	8
Chongqing	2	7
Tianjin	–	4
Chengdu	1	8
Yunnan	1	7
Dalian	3	9
Beijing	4	6
Wuhan	3	4
Shanghai	4	4
Fuzhou	3	3
Harbin	2	2
Total	29	154

We added 26 new branches to our network in Mainland China for a total of 105 branches at the end of 2013. New money lending businesses were established in Shanghai, Fuzhou and Harbin in the first quarter of 2013. Money lending licences in Qingdao and Nanning have been granted and these businesses are expected to launch in the first half of 2014. We now hold licences in 14 cities/provinces across Mainland China.

We intend to pursue additional money lending licences in Mainland China markets that possess good potential for growth. We are also exploring new products to reach a broader customer base. For example, car owner's loans were launched on a pilot basis in January 2014 in selected provinces to test the market. After the pilot phase, these products will be progressively expanded to other provinces.

In addition, in 2013, we entered into a long-term strategic partnership with China Everbright Bank to provide credit facilities to customers alongside customer loan referrals. This venture will enable us to broaden our customer base and extend our geographical reach across the country.

While the market in Hong Kong remains highly competitive, the business has achieved a steady increase in revenue and loan book growth of 10% and 12% respectively. During the year, we opened three new branches in the New Territories to attract new customers by providing convenient access to our service.

In May 2013, we issued our second dim sum bond and raised RMB500 million, with the final subscription far exceeding its launch size. This was a second drawdown from the US$3 billion medium term note programme established in March 2011, and marks another milestone as we continue to build our track record in the debt capital market.

Looking ahead, there appears to be some continued uncertainties about the economic outlook for Mainland China and Hong Kong in 2014. Furthermore, the ongoing impact of credit tapering in the United States may pose some risks to global finance and credit markets. Intense competition in Hong Kong, together with a slowdown in the local property market due to government curbs, could further dampen financing activity.

Faced with these challenges, we will leverage our leading position in the market and the knowledge and experience of our management team to seize opportunities as they arise.

PRINCIPAL INVESTMENTS

The Group's capital has been invested in a variety of businesses and transactions, including small and medium enterprises in Mainland China, utilities, and private equity investments.

The Group's major fixed assets and investments include office space previously occupied by Sun Hung Kai Financial in Admiralty Centre, where 27,000 out of 32,000 square feet saleable area is classified as investment property.

We manage a portfolio of listed and un-listed investments to create synergies and business opportunities with the other segments of the Group.

In 2013, the segment recorded a pre-tax profit of HK$137.8 million, compared with HK$298.6 million in 2012. The decline is mainly attributable to lower disposal gain, reduced profit from financial assets, exchange fluctuations as well as the non cash charge from the final completion of the liquidation of our discontinued Philippines subsidiary.

(HK$ Million)	**2013**	2012	Change
Operating Earnings	**46.4**	**43.5**	**7%**
Other income	92.7	170.6	
Other non operating expenses^	(31.6)	–	
Exchange gain (loss)	(17.5)	12.4	
Net profit on financial assets and liabilities	32.8	63.7	
Associates	11.8	10.9	
Joint ventures	3.2	(2.5)	
Pre-tax Contribution	**137.8**	**298.6**	**-54%**

^ Loss recognised from the liquidation of a subsidiary in the Philippines that ceased operations many years ago and included in the "other expenses" item in the Consolidated Statement of Profit or Loss.

Currently, Principal Investments encompass the Group's treasury position and also managed assets close to HK$2 billion as at 31 December 2013.

– Investment Properties (HK$771.1 million)

The major asset in this segment is the portion of Sun Hung Kai Financial's office space that is currently being leased out. The total saleable area is 2,486.3 square metres with a carrying value of HK$670 million. A further 483.8 square metres of office space is retained by the Group for its own use and is booked at a cost less depreciation of HK$9 million under "property and equipment".

Another significant asset is office space in Tian An Centre, Shanghai, with a total saleable area of 1,564.2 square metres and a carrying value of HK$101.1 million. The investment property portfolio recorded a total revaluation gain of HK$45 million under other income. Rental income generated by the portfolio makes up for the majority of the operating earnings of this segment.

– Available-for-sale Investments (HK$153.6 million)

Available-for-sale investments are longer-term direct investments in businesses that have sound potential or add strategic value to the Group. This category includes investments in utilities, finance, hospitality and resources. In 2013, the Group became a cornerstone investor in China Everbright Bank and partnerships were also formed between that bank and our Wealth Management and Brokerage and Consumer Finance businesses.

– Financial Assets (Liabilities) at Fair Value through Profit or Loss (HK$814.0 million)

We manage a portfolio of financial investments to enhance returns on our shareholders funds. This also allows us to invest in deals or with partners that can generate business opportunities for the rest of the Group. A major portion of this book is invested in overseas funds (HK$428.1 million). Mark to market gains amounted to HK$32.8 million in 2013 (2012: HK$63.7 million).

– Associates and Joint Ventures (HK$217.2 million)

During the year, the Group recorded gains from the disposal of its interest in Eurasia Mattress. In addition, through an associate, Omicron International Limited, the Group has an effective 14.6% interest in a residential property development project in Fung Lok Wai, Yuen Long. The project is led by Cheung Kong (Holdings) Limited. In November 2013, the development was granted conditional approval by the Town Planning Board to develop 1,958 units with total floor area of up to 1.59 million square feet. Currently, this associate is valued at cost and in view of the conditional approval, a HK$14 million provision for the project was written back and included in other income.

We expect the U.S. Federal Reserve to continue to taper its stimulus programme. With regard to the Mainland Chinese economy, recurring small-size trust defaults and liquidity tightness are expected to result in a difficult equity market in 2014.

As in previous years, we will remain prudent, continue to look for appropriate investment and business opportunities, and realise our profitable investments in due course.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

As at 31 December 2013, equity attributable to owners of the Company amounted to HK$13,402.1 million, representing an increase of HK$539.1 million or approximately 4% from 31 December 2012. During the year, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 0.5 million shares of the Company through purchases on the Hong Kong Stock Exchange for shares awarded under the scheme. The Company issued 0.7 million shares under the 2012 final scrip dividend scheme and repurchased 39.2 million shares for a total consideration (including expenses) of HK$206.6 million. Details regarding share capital are set out in Note 38 to the consolidated financial statements.

The Group maintained a strong cash position and had short-term bank deposits, bank balances and cash amounting to HK$3,738.5 million (at 31 December 2012: HK$5,035.3 million).

Meanwhile, the Group's total borrowings comprising bank and other borrowings, bonds and notes, amounted to HK$8,582.5 million (at 31 December 2012: HK$7,535.3 million). HK$2,801.6 million is repayable within one year and HK$5,780.9 million is repayable after one year (at 31 December 2012: HK$3,166.6 million and HK$4,368.7 million respectively).

As at 31 December 2013, the Group's bonds and notes comprised U.S. dollar-denominated notes equivalent to HK$2,689.0 million and Renminbi-denominated notes equivalent to HK$1,009.3 million, which are charged at fixed coupon rates. The Group's bank and other borrowings (mainly charged at floating interest rates) were in Hong Kong dollars and Renminbi as at 31 December 2013. There are no known seasonal factors in the Group's borrowing profiles.

The Group's gearing ratio calculated on the basis of net debt to the equity attributable to owners of the Company was approximately 36.1% as at 31 December 2013 (at 31 December 2012: approximately 19.4%). Net debt represents the total of bank and other borrowings, bonds and notes less bank deposits, cash and cash equivalents.

The Group maintained foreign currency positions to cater for its present and potential investment and operating activities. Any exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year, the Group disposed of two associates – Eurasia Mattress & Furniture Co. Ltd. and Tianjin Eurasia Mattress & Furniture Co. Ltd. – for HK$48.7 million and at a profit of HK$30.1 million. The Group also disposed of a joint venture, Shenzhen Oriental Venture Capital Management Co., Ltd, for HK$6.2 million and at a profit of HK$0.5 million. Excluding these disposals, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year.

Segment Information

Detailed segment information in respect of the revenue and profit or loss is shown in Note 6 to the consolidated financial statements.

Charges on Group Assets

Listed shares held by the Group with an aggregate value of HK$9.3 million were pledged for bank loans and overdrafts. Properties of the Group with a total book value of HK$758.0 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK$102.4 million as at 31 December 2013.

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 42 to the consolidated financial statements.

HUMAN RESOURCES AND TRAINING

As at 31 December 2013, the Group's headcount stood at 5,778 (including investment/sales consultants), representing an approximate increase of 13.1% compared with 31 December 2012. This was due primarily to the expansion of UAF's business in Mainland China, which included opening 26 new branches during the period under review. Staff costs (including Director's emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$913.5 million (2012: HK$775.5 million).

The Group operates different compensation schemes to reflect different job roles within the organisation. For sales staff and investment/sales consultants, packages may consist of a base pay and commission/bonus/performance-based incentive or alternatively, may consist of commission/incentive. For non-sales staff, the compensation comprises either a base salary with bonus, share-based/performance-based incentive or base salary, as appropriate.

Under the EOS, which was formally adopted on 18 December 2007, selected employees or directors of the Group (the "Selected Grantees") were awarded shares in the Company. Following a recommendation from management, a total of 1,958,000 shares were granted to the Selected Grantees during the year subject to various terms including, but not limited to, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods. As at 31 December 2013, the outstanding awarded shares under the EOS (excluding shares awarded, but subsequently forfeited) amounted to 3,347,000 out of which 932,000 shares were awarded to Directors.

The Group is dedicated to building and sustaining a culture of continuous learning and development by identifying talent and investing in the long-term development of its people. The Group aims to accelerate the professional growth and advance the careers of its employees through the provision of extensive training and development programmes. Additionally, the Group continuously fosters the engagement and wellbeing of its staff with a number of initiatives, including the Buddy Relation Programme and Wellness Programme.

MANAGEMENT OF RISKS

Strong Risk Management Awareness

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy. The Risk Management Committee, a standing committee reporting to the Board of Directors, supervises the risk-related policies necessary for monitoring and controlling major risks, arising from the Group's business activities, changing external risks and the regulatory environment.

Financial Risk Management

Financial risk management is designed to manage market risk, credit risk and liquidity risk.

Market risk is the risk that the value of an investment will change due to movements in market factors. It can be further divided into equity risk, interest rate risk and foreign exchange or currency risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk is the risk that a given asset cannot be traded readily in the market to prevent a loss or make the required profit. Financial risk management is discussed in greater detail in Note 46 to the consolidated financial statements.

Operational Risk Management

Operational risk is the risk of losses arising from inadequate or failed internal processes, people, systems or external events. The Group extends operational risk to cover potential losses arising from legal and compliance breaches. Operational risk is reduced and controlled through establishing robust internal controls, clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of and responsible for managing the operational risks of their business units on a day-to-day basis. Independent monitoring and reviews are conducted by Compliance and Internal Audit, which reports regularly to the Group's senior management and the Audit Committee of the Board.

Reputational Risk Management

Reputational risk is the risk related to the trustworthiness of a business. Loss of trust can result in declines in the customer base, revenue erosion, costly litigation, destruction of shareholder value and damage to the Company's reputation as a whole. The Group manages reputational risk through sound corporate governance practices. Group employees and sales personnel are provided with comprehensive training. Operating procedures manuals are regularly updated. The responsibilities and duties of staff are properly segregated. The internal control functions report directly to the Group's senior management.

EXECUTIVE DIRECTORS

Lee Seng Huang, aged 39, was appointed as an Executive Director and has been the Group's Executive Chairman of the Company since 1 January 2007. Mr. Lee was educated at the University of Sydney in Australia and has wide ranging financial services and real estate investment experience in the Asian region. He has previously served, in various capacities, on the board of directors of Lippo Limited and Lippo China Resources Limited in Hong Kong, Auric Pacific Group Limited in Singapore, and the Export and Industry Bank, Inc. in the Philippines. He is currently the executive chairman of Mulpha International Berhad (a Malaysian listed conglomerate with operations in Southeast Asia, Australia and Mainland China) as well as Mulpha Australia Limited ("Mulpha Australia"), and the non-executive chairman of Aveo Group (previously known as FKP Property Group), a leading property developer listed on the Australian Securities Exchange (the "ASX"). He is also a non-executive director of Mudajaya Group Berhad, a company listed on the Bursa Malaysia Securities Berhad. Mr. Lee is a trustee of Lee and Lee Trust, a discretionary trust owning a controlling interest in Allied Group Limited ("AGL"), a holding company of the Company through its interest in Allied Properties (H.K.) Limited ("APL"). Both AGL and APL are companies listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Mr. Lee is also a director of United Asia Finance Limited ("UAF"), a subsidiary of the Company.

William Leung Wing Cheung, *BBS, JP*, aged 59, was appointed an Executive Director of the Company on 26 March 2012. He was appointed as Group Deputy Chief Executive Officer of the Company and Chief Executive Officer of Sun Hung Kai Financial Limited ("SHKF") on 1 January 2012. Mr. Leung has over 30 years of experience in the banking and financial services industry. He joined Hang Seng Bank Limited ("HS Bank"), a company listed on the Hong Kong Stock Exchange, in 1994 as assistant general manager and head of credit card centre until his resignation in August 2011 with HS Bank, at which time he held the position of executive director and the head of personal banking. Prior to joining HS Bank, he had worked with American Express International Inc., Standard Chartered Bank in Hong Kong, Visa International and MasterCard International in Sydney. He was also a non-executive director of HSBC China Dragon Fund until his resignation in August 2011. Mr. Leung was educated at the Hong Kong Baptist College and obtained a Diploma of Arts in English Language and Literature in 1978. He was appointed Justice of the Peace in July 2005 and honoured with a Bronze Bauhinia Star by the Hong Kong Special Administrative Region Government in July 2009. Mr. Leung also holds directorships in various subsidiaries of the Company.

Joseph Tong Tang, aged 54, was appointed an Executive Director of the Company on 4 December 2003 and was the Group Chief Operating Officer of the Company from 1 December 2004 to 31 December 2006. Mr. Tong is currently the Chief Executive Officer of the Capital Markets and Institutional Brokerage. He has 30 years of experience in the financial services industry, and previously held senior positions with a number of international banks and financial institutions, including ABN AMRO Bank, CCIC Finance Limited, Bain & Co. Securities Limited and Bali International Finance Limited. Mr. Tong has a Bachelor's Degree in Social Sciences from the University of Hong Kong and a Master's Degree in Business Administration from the Chinese University of Hong Kong, and is a fellow member of the Association of Chartered Certified Accountants. Mr. Tong is also an independent director of Jih Sun Financial Holding Co., Ltd (and two of its subsidiaries), the shares of which are listed on the Gre Tai Securities Market (GTSM) in Taiwan and an independent non-executive director of Carry Wealth Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Tong also holds directorships in various subsidiaries of the Company.

Peter Anthony Curry, aged 61, was appointed an Executive Director of the Company on 1 January 2011. He joined the Company as the Group Chief Financial Officer in November 2010. He graduated from the University of New South Wales with a Bachelor Degree of Commerce in 1974 and a Bachelor Degree of Laws in 1976. He became a chartered accountant and a barrister (non-practising) in Australia in 1978. He was elected as a fellow of The Institute of Directors in Australia in 1989. In 2002, he completed the PS 146 Compliance Program organised by Securities Institute in Australia. Mr. Curry has over 38 years of business experience. He joined Peat Marwick Mitchell (now known as KPMG) in Australia in 1974 upon graduation and worked as Tax Partner in 1983. Since that time he has worked in different listed and unlisted companies in Australia as executive director/managing director specialising in natural resources, corporate finance, mergers and acquisitions etc. Since 1995 Mr. Curry has been a director and shareholder in a corporate advisory firm which holds an Australian Financial Services licence. He has been involved in a range of public and private capital raisings, initial public offering related services and providing corporate and financial advisory services in relation to a range of business transactions including a wide range of mining projects. Mr. Curry is currently a non-executive director of APAC Resources Limited, a company listed on the Hong Kong Stock Exchange. Mr. Curry also holds directorships in various subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Ahmed Mohammed Aqil Qassim Alqassim, aged 32, was appointed a Non-Executive Director of the Company on 20 March 2014. He holds an MBA from the University of Victoria, Canada. Mr. Alqassim is currently the chief executive officer of Dubai Group LLC (the "Dubai Group"). As at the date of this report, the Dubai Group, through its subsidiaries, is interested in 166,000,000 shares of the Company. Mr. Alqassim has an extensive experience working for leading local and international investment companies. Prior to joining the Dubai Group, he was director, investment banking at Emirates NBD Capital, where he led the equity capital markets team and mergers and acquisitions department of the bank. Previously, he had been head of strategic accounts at General Electric and assistant vice president of structured finance originations at Mubadala GE Capital. Mr. Alqassim is currently a non-executive director of Shuaa Capital PSC, a public company listed on the Dubai Financial Market.

Ho Chi Kit, aged 51, was appointed a Non-Executive Director of the Company on 13 July 2010 and was subsequently re-designated as an Alternate Director to Mr. Roy Kuan from 1 January 2011 to 22 August 2013. With effect from 22 August 2013, Mr. Ho was re-designated as a Non-Executive Director of the Company. He is a partner of CVC Asia Pacific Ltd ("CVC AP"), the adviser to the investment funds which ultimately own Asia Financial Services Company Limited ("AFSC"). As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Ho holds a B.S. (Honours) in Computer Science from the University of Manitoba and an MBA from the University of British Columbia. He is also a chartered financial analyst. Mr. Ho has been with CVC AP since 1999 and was responsible for CVC Capital Partners' investment activities in Hong Kong and Mainland China. Prior to CVC AP, Mr. Ho was an investment director of Citicorp Everbright China Fund where he actively led the fund's investments in China. Prior to that, he was the associate investment director of Citicorp Capital Asia Limited and assisted in building a regional investment portfolio for Citicorp in Asia. Mr. Ho is currently the vice chairman of Zhuhai Zhongfu Enterprise Co., Ltd., a company listed on the Shenzhen Stock Exchange, and a non-executive director of C.banner International Holdings Limited, a company listed on the Hong Kong Stock Exchange. He is also a director of SHKF and UAF, both are subsidiaries of the Company.

Roy Kuan, aged 47, was appointed an Alternate Director to Mr. Ho Chi Kit on 13 July 2010 and was subsequently re-designated as a Non-Executive Director of the Company from 1 January 2011 to 22 August 2013. With effect from 22 August 2013, Mr. Kuan was re-designated as an Alternate Director to Mr. Ho Chi Kit. He is a managing partner and head of Asia of CVC AP (the adviser to the investment funds which ultimately own AFSC) and a director of CVC Capital Partners SICAV-FIS S.A.. As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Kuan has worked at CVC AP and its predecessor firms since 1996. He has led numerous investments in Greater China, Korea, Japan, and Southeast Asia. Mr. Kuan holds a BA from Georgetown University and an MBA from the Wharton School University of Pennsylvania. Since 1 April 2010, Mr. Kuan is a commissioner of PT Matahari Department Stores Tbk in Indonesia.

Leung Pak To, aged 59, was appointed a Non-Executive Director of the Company on 13 July 2010. He has over 30 years of experience in investment banking, in particular, the field of corporate finance involving capital raising, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general finance advisory activities in Hong Kong and Mainland China. Mr. Leung is currently the chairman of Greater China of and a managing partner of CVC AP (the adviser to the investment funds which ultimately own AFSC). As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Leung is a non-executive director and the chairman of Imagi International Holdings Limited and an independent non-executive director of Shanghai Industrial Holdings Limited, both are listed on the Hong Kong Stock Exchange. During June 2001 and July 2006, Mr. Leung was chairman of Citigroup Global Markets in Asia. Prior to Citigroup, he was chief executive and vice chairman of BNP Paribas Peregrine Ltd. Mr. Leung holds an MBA and an undergraduate degree from the University of Toronto in Canada.

Liu Zheng, aged 31, was appointed an Alternate Director to Mr. Leung Pak To on 22 August 2013. He is a director of CVC AP (the adviser to the investment funds which ultimately own AFSC). As at the date of this report, AFSC holds 341,600,000 shares of the Company. Mr. Liu has been with CVC AP since 2007. Prior to joining CVC AP, he was with Citigroup Global Markets in Hong Kong. Mr. Liu holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong. He is also an alternate director to Mr. Ho Chi Kit as a non-executive director of SHKF and UAF, both are subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Craig Bartlett, aged 48, was appointed an Independent Non-Executive Director of the Company on 26 November 1999. Mr. Bartlett graduated with honours in law from Exeter University in the United Kingdom ("UK") in 1988 and subsequently qualified as a solicitor in England & Wales, the Republic of Ireland and the Hong Kong Special Administrative Region. A former partner of the international law firm Clyde & Co., he regularly acted for and advised the Company and its subsidiaries before leaving private practice for a career in industry. Now based primarily in Europe, Mr. Bartlett is also an independent non-executive director of each of AGL and APL, the holding companies of the Company, and the shares of which are listed on the Hong Kong Stock Exchange.

Alan Stephen Jones, aged 70, was appointed an Independent Non-Executive Director of the Company on 3 January 2006. Mr. Jones, a chartered accountant, has extensive experience in management, administration, accounting, property development, carpark management, finance and trading, and has been involved in successful mergers and acquisitions of a number of public companies in Australia and internationally. He is also an independent non-executive director of each of AGL and APL, the holding companies of the Company, and the shares of which are listed on the Hong Kong Stock Exchange. Mr. Jones is also an independent non-executive director of Mount Gibson Iron Limited and a non-executive chairman of Air Change International Limited, both are listed on the ASX, as well as a non-executive director of Mulpha Australia.

Carlisle Caldow Procter, aged 73, was appointed an Independent Non-Executive Director of the Company on 30 September 2004. Mr. Procter graduated from the University of Sydney, Australia with a Bachelor's Degree and a Master's Degree in Economics. He is a fellow of the Financial Services Institute of Australasia (FFin.). Based in Australia, Mr. Procter worked at the Reserve Bank of Australia for over 30 years, holding various senior management positions. Since leaving the Bank, he has worked as a consultant to the International Monetary Fund (IMF) and the Asian Development Bank (ADB), and has also undertaken private consulting work in the Philippines, Indonesia and Papua New Guinea in the areas of bank supervision, anti-money laundering and corporate governance respectively. Mr. Procter is currently a non-executive director of Bank South Pacific Limited, a company listed on the Port Moresby Stock Exchange, Eurogold Limited and Tanami Gold NL, both listed on the ASX. He resigned as an independent non-executive director of Allied Overseas Limited (now known as SkyOcean International Holdings Limited), a company listed on the Hong Kong Stock Exchange, in January 2014.

Peter Wong Man Kong, *BBS, JP*, aged 65, was appointed an Independent Non-Executive Director of the Company on 30 May 2001. Mr. Wong graduated from the University of California at Berkeley, U.S.A. with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). He is the chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited, an independent non-executive director of China Travel International Investment Hong Kong Limited, Far East Consortium International Limited, Glorious Sun Enterprises Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, New Times Energy Corporation Limited and MGM China Holdings Limited, all being companies listed on the Hong Kong Stock Exchange. Mr. Wong is serving as a deputy to the 12th National People's Congress of the People's Republic of China.

SENIOR MANAGEMENT

Akihiro Nagahara, aged 73, is the Managing Director and CEO of UAF and a director of various subsidiaries of UAF. He holds a law degree from the National Taiwan University and a Master's Degree from the Graduate School in Law of the National Hitotsubashi University of Japan where he also completed his doctorate courses. He is an acknowledged expert in the consumer finance business in Hong Kong and is credited with the successful establishment of Public Finance Limited (formerly known as JCG Finance Company, Limited). He is also the chairman of The Hong Kong S.A.R. Licensed Money Lenders Association Limited, a position he has held since its establishment in 1999, which is the only industry representative association of licensed money lenders in Hong Kong.

Paul Leung Tung Yip, aged 58, joined the Group in December 2010. Mr. Leung is the Chief Financial Officer of SHKF and a director of various subsidiaries of the Company. He has worked in senior finance management roles for more than 25 years in investment banks and commercial banks in Hong Kong and Australia. Prior to joining the Group, he was the chief financial officer, Greater China of the Royal Bank of Scotland, Hong Kong Branch and had worked at ABN AMRO Bank N.V., Indosuez W I Carr Securities Limited, Smith New Court (Far East) Limited, Merrill Lynch (Australia) Pty Limited. Mr. Leung graduated from the University of Hong Kong with a Bachelor Degree of Social Sciences, majoring in economics and business management. He completed his chartered accountancy articleship training in London, UK and is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Kevin Tai Yiu Kuen, aged 47, joined the Group in July 2000. Mr. Tai has held a number of senior positions across various business functions within the Group and is presently the Chief Operating Officer, Wealth Management and Brokerage and a director of various subsidiaries of the Company. He has more than 20 years' experience in the financial services industry. Prior to joining the Group, Mr. Tai was head of settlement at CLSA Limited. Before that, Mr. Tai was vice president of regional middle office for global equities at J.P. Morgan Securities (Asia Pacific) Limited.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity. The Board of Directors believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder value.

CORPORATE GOVERNANCE CODE

In the light of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2013, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board will review the current practices at least annually, and makes appropriate changes if considered necessary.

THE BOARD

The Board currently comprises 11 members, with four Executive Directors, three Non-Executive Directors (the "NEDs") (and two Alternate Directors) and four Independent Non-Executive Directors (the "INEDs"):

Executive Directors:	Lee Seng Huang *(Group Executive Chairman)* William Leung Wing Cheung Joseph Tong Tang Peter Anthony Curry
Non-Executive Directors:	Ahmed Mohammed Aqil Qassim Alqassim Ho Chi Kit *(Roy Kuan as his alternate)* Leung Pak To *(Liu Zheng as his alternate)*
Independent Non-Executive Directors:	David Craig Bartlett Alan Stephen Jones Carlisle Caldow Procter Peter Wong Man Kong

The brief biographical details of the Directors are set out in the Profiles of Directors and Senior Management on pages 26 to 30.

BOARD PROCESS

During the year, the NEDs (four of whom were independent) provided the Company and its subsidiaries (collectively the "Group") with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, at the same time taking into account the interests of all shareholders of the Company (the "Shareholders").

Throughout the year, and up to the date of this report, the Company has had four INEDs representing more than one-third of the Board. Two out of the four INEDs have the appropriate professional qualifications or accounting or related financial management expertise specified under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to meetings for reviewing and approving the Group's annual and interim results and other ad hoc matters which need to be dealt with by the Board. The chief financial officer and other relevant senior executives are invited to attend Board meetings to make presentations and answer the Board's enquiries.

During the year, eight Board meetings were held. The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee and general meetings of the Company during the year ended 31 December 2013 are set out as follows:

	Number of meetings attended/entitled to attend			
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**General Meetings**
Executive Directors:				
Lee Seng Huang	7/8			2/2
William Leung Wing Cheung	7/8			2/2
Joseph Tong Tang	8/8			2/2
Peter Anthony Curry	8/8			2/2
Non-Executive Directors:				
Goh Joh Chuan	7/8			1/2
Ho Chi Kit *(appointed on 22 August 2013)*	1*/2	0/0	1/1	0/0
Roy Kuan *(alternate to Ho Chi Kit and appointed on 22 August 2013)*	0/2	0/0	0/1	0/0
Leung Pak To	3#/8			1/2
Liu Zheng *(alternate to Leung Pak To and appointed on 22 August 2013)*	2/2			0/0
Roy Kuan *(resigned on 22 August 2013)*	2^/6	0/1	0/2	0/2
Ho Chi Kit *(alternate to Roy Kuan and ceased on 22 August 2013)*	3/6	1/1	1/2	1/2
Independent Non-Executive Directors:				
David Craig Bartlett	7/8	1/1	2/3	1/2
Alan Stephen Jones	8/8	1/1	3/3	1/2
Carlisle Caldow Procter	7/8	1/1	3/3	1/2
Peter Wong Man Kong	6/8	1/1	3/3	1/2

Notes:

* *One board meeting was attended by himself, while another board meeting was attended by his representative*
# *Three board meetings were attended by himself, while four board meetings were attended by his representatives*
^ *Two board meetings were attended by himself, while two board meetings were attended by his representative*

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, approval of Directors' appointment or re-appointment (based on the recommendations made by the Nomination Committee), material contracts and transactions, corporate governance as well as other significant policy and financial matters. The Board has delegated the daily operation and administration responsibilities to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing. The Board reviews these procedures from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussions in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings, and ensures all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days prior to the proposed Board meeting (and so far as practicable for other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. Minutes of meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter cannot be dealt with by a written resolution of the Board but must be dealt with by the Board at a duly convened Board meeting. The Articles of Association of the Company (the "Articles") stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings of the Board for approving any contract or arrangement in which such Director or any of his associate(s) has a material interest. The Board will also follow rules stipulated in the Listing Rules in this regard.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. In addition, a written procedure has been established since June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors will continuously be updated on major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. During the year, the Company has organised a briefing session regarding the Companies Ordinance Rewrite conducted by Messrs. P. C. Woo & Co. for the Directors.

For continuous professional development, in addition to Directors' attendance at meetings and review of papers and circulars sent by management, Directors participated in the activities including the following:

	Participation in Continuous Professional Development Activities	
Name of Directors	**Reading regulatory updates**	**Attending trainings/briefings/ seminars/conference relevant to Directors' duties**
Executive Directors:		
Lee Seng Huang	✓	✓
William Leung Wing Cheung	✓	✓
Joseph Tong Tang	✓	✓
Peter Anthony Curry	✓	✓
Non-Executive Directors:		
Goh Joh Chuan	✓	✓
Ho Chi Kit *(as director and alternate director)*	✓	✓
Roy Kuan *(as director and alternate director)*	✓	✓
Leung Pak To	✓	✓
Liu Zheng *(as alternate director)*	✓	✓
Independent Non-Executive Directors:		
David Craig Bartlett	✓	✓
Alan Stephen Jones	✓	✓
Carlisle Caldow Procter	✓	✓
Peter Wong Man Kong	✓	✓

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the other three Executive Directors, Mr. William Leung Wing Cheung, Mr. Joseph Tong Tang and Mr. Peter Anthony Curry. The Group Executive Chairman oversees the Group's principal investments, as well as the Group's interest in UAF whose day-to-day management lies with its designated Managing Director. Mr. William Leung leads the overall business of Sun Hung Kai Financial Limited ("SHKF"). Mr. Joseph Tong acts as the CEO of Capital Markets and Institutional Brokerage and Mr. Peter Curry oversees the management of the corporate administrative functions, including finance and budget, internal audit, legal and risk management.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

The Group Executive Chairman is responsible for the leadership of the Board, ensuring all key and appropriate issues are discussed by the Board in a timely and constructive manner; all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive in a timely manner, adequate information is accurate, clear, complete and reliable.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The terms of reference of the Nomination Committee include a nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorships of the Company.

New Directors, upon appointment, will be given an induction package containing all key applicable regulations and the Listing Rules requirements, as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. Senior management will subsequently conduct such briefings as necessary to give the new Directors more detailed information on the Group's businesses and activities.

All NEDs (including the INEDs) of the Company were appointed for a specific term of two years, and are subject to the relevant provisions of the Articles or any other applicable laws whereby the Directors shall vacate or retire from their office but eligible for re-election. The term of appointment of the NEDs (including the INEDs) has been renewed for further two years commencing from 1 January 2013.

According to the Articles, any Director appointed to fill a casual vacancy shall hold office until the Company's next following general meeting and shall be eligible for re-election. Any Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting (the "AGM") of the Company and shall be eligible for re-election at that meeting. Further, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD DIVERSITY

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the Board Diversity Policy with an aim to promote broad experience and diversity on the Board. Appointments to the Board should be made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole.

The objectives of the Board Diversity Policy include:

(i) the Board should possess a balance of skills and experience appropriate for the requirement of the business of the Company. The Directors should have a mix of finance, legal and management qualifications with considerable experience in diversified business;

(ii) selection of candidates for directorship will be based on a broad range of perspectives, including but not limited to gender, age, cultural and educational background; and

(iii) Directors (especially the NEDs) are encouraged to participate in Board meetings to bring an independent judgment, to promote critical review and to bring a wide range of business and financial experience to the Board which contributes to the effective direction of the Company.

The Nomination Committee will recommend to the Board the measurable objectives to implement diversity on the Board. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

CORPORATE GOVERNANCE FUNCTIONS

To maintain a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity, the Company has adopted a Corporate Governance Policy and the terms of reference of the Board with effect from 1 April 2012.

The major duties of the Board in respect of performing the corporate governance functions are:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In 2013 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD COMMITTEES

The Board has established various committees, including the Nomination Committee, Remuneration Committee, Audit Committee, Executive Committee and Risk Management Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members, and the committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned above, have been adopted for the committee meetings so far as practicable.

Nomination Committee

The Nomination Committee has been established since April 2012 and currently consists of one Executive Director, four INEDs and one NED, including Messrs. Lee Seng Huang (Chairman of the Committee), David Craig Bartlett, Alan Stephen Jones, Carlisle Caldow Procter, Peter Wong Man Kong and Ho Chi Kit (with Mr. Roy Kuan as his alternate). The Nomination Committee is provided with sufficient resources to perform its duties, including, where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibilities.

The duties and authorities of the Nomination Committee are contained in the terms of reference of the Nomination Committee, which are fully complied with the code provision A.5.2 of the CG Code and are available on the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Company.

The Nomination Committee shall hold meeting when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. In 2013, no Nomination Committee meeting was held while the Committee dealt with matters by way of circulation. In 2013 and up to the date of this report, the Nomination Committee performed work as summarised below:

(i) reviewed the structure, size and diversity of the Board;

(ii) reviewed and confirmed the independence of the INEDs;

(iii) reviewed and recommended to the Board the retiring Directors to stand for re-election by the Shareholders at the 2013 AGM and 2014 AGM; and

(iv) reviewed and recommended to the Board the re-designation of Directors, and appointment of alternate Directors and Director.

Remuneration Committee

The Remuneration Committee has been established since April 1985 and currently consists of four INEDs and one NED, including Messrs. Peter Wong Man Kong (Chairman of the Committee), David Craig Bartlett, Alan Stephen Jones, Carlisle Caldow Procter and Ho Chi Kit (with Mr. Roy Kuan as his alternate).

The Remuneration Committee is provided with sufficient resources to perform its duties, including where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibilities.

The duties and authorities of the Remuneration Committee are contained in the terms of reference of the Remuneration Committee which are available on the websites of the Hong Kong Stock Exchange and the Company.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.2 of CG Code except that the Remuneration Committee should make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). The reasons for the above derivations are summarised as below:

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

(ii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iii) there is no reason for Executive Directors to pay senior management more than industry standards and thus Shareholders will benefit by reducing costs in the fixing of such compensation packages.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2013 and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report.

In 2013, the Remuneration Committee performed work as summarised below:

(i) reviewed the policy and structure for the remuneration of Directors;

(ii) reviewed the remuneration packages of the Executive Directors and recommended an increase in the monthly salary of the four Executive Directors commencing from the year 2013 for the Board's approval;

(iii) reviewed and recommended bonuses for the year ended 31 December 2012 for the four Executive Directors for the Board's approval; and

(iv) reviewed the remuneration of all Directors (including the INEDs) and consultancy fees of the INEDs.

Each Director will be entitled to a fee which is to be proposed for the Shareholders' approval at the AGM of the Company. Further remuneration payable to Directors (including any consultancy fees to the INEDs) for their additional responsibilities and services will be determined according to their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in Note 8 to the consolidated financial statements. In addition, the annual remuneration payable to members of the senior management by band is set out in Note 8 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Human Resources and Training" section in the Management Discussion and Analysis on page 24.

After the end of the reporting period, a Committee meeting was held to review the policy and structure of the Directors' remuneration; and the remuneration packages of the Directors. The Remuneration Committee recommended to the Board of (i) the payment of the following discretionary bonuses for the year 2013 to the four Executive Directors:

– HK$5,000,000 in cash to Mr. Lee Seng Huang;

– HK$1,870,000 in cash and such number of shares of the Company to be awarded under the SHK Employee Ownership Scheme (the "EOS") equivalent of HK$1,530,000 to Mr. William Leung Wing Cheung;

– HK$700,000 in cash and such number of shares of the Company to be awarded under the EOS equivalent of HK$300,000 to Mr. Joseph Tong Tang; and

– HK$945,000 in cash and such number of shares of the Company to be awarded under the EOS equivalent to HK$405,000 to Mr. Peter Anthony Curry;

and (ii) an increase of 2% to the monthly salary of the above four Executive Directors commencing from the year 2014.

The Board subsequently approved the remuneration packages of the Executive Directors as recommended by the Remuneration Committee, and also approved an increase of 1% to the consultancy fee of INEDs commencing from the year 2014.

For the purpose of Rule 13.51B(1) of the Listing Rules, amount for the monthly rental-related expenses which form part of the emoluments of Mr. Lee Seng Huang and are varying in nature have changed.

Audit Committee

The Audit Committee has been established since April 1985 and currently consists of four INEDs and one NED. To retain independence and objectivity, the Audit Committee is chaired by an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Messrs. Alan Stephen Jones *(Chairman of the Committee)*, David Craig Bartlett, Carlisle Caldow Procter, Peter Wong Man Kong and Ho Chi Kit *(with Mr. Roy Kuan as his alternate)*. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice according to the Company's policy when necessary.

The responsibilities and duties of the Audit Committee are contained in the terms of reference of the Audit Committee which are available on the websites of the Hong Kong Stock Exchange and the Company.

The terms of reference of the Audit Committee of the Company are revised from time to time to comply with the code provision C.3.3 of the CG Code, but with deviations from the code provision regarding the Audit Committee's responsibilities to:

(i) implement policy on the engagement of the external auditor to supply non-audit services;

(ii) ensure that management has performed its duty to have an effective internal control system;

(iii) ensure coordination between the internal audit and external auditor; and

(iv) ensure that the internal audit is adequately resourced and has appropriate standing within the Company.

The Board considers that the Audit Committee of the Company should recommend (as opposed to implement under the code provision) the policy on the engaging the external auditor to supply non-audit services for the following reasons:

(i) it is more proper and appropriate for the Board and its committees to develop policy and make appropriate recommendations;

(ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and

(iii) the INEDs are not in an effective position to implement policy and follow up the same on a day-to-day basis.

Further, the Board considers that the Audit Committee only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system. The Audit Committee is not equipped to ensure that the same is in place, as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position to ensure coordination between the internal audit and external auditor, but it can promote the same. Similarly, the Audit Committee cannot ensure that the internal audit is adequately resourced and has appropriate standing within the Company but it can check whether it is adequately resourced and has appropriate standing within the Company, and recommend the correction of any identified deficiency.

The Audit Committee shall meet at least three times a year in accordance with its terms of reference. Three Audit Committee meetings were held in 2013 and the attendance of each member at these meetings is set out in the section headed "Board Process" of this report.

Apart from Committee meetings, the Audit Committee would also deal with matters by way of circulation, when necessary. In 2013 and up to the date of this report, the Audit Committee performed the work as summarised below:

(i) considered and approved the terms of engagement and fees proposed by the external auditor regarding the interim review for the six months ended 30 June 2013 and the final audit of the Group for the year ended 31 December 2013;

(ii) reviewed the reports from the external auditor, management representation letters and/or management's responses in relation to the final audit of the Group for the years ended 31 December 2012 and 2013 respectively;

(iii) reviewed the report from the external auditor and management representation letter in relation to the interim review for the six months ended 30 June 2013;

(iv) reviewed the financial reports for the year ended 31 December 2012, for the six months ended 30 June 2013 and for the year ended 31 December 2013 and recommended the same for the Board's approval;

(v) reviewed the audit planning memorandum for the year ending 31 December 2014 submitted by the Internal Audit Department; and

(vi) reviewed the lists of audit reports issued by the Internal Audit Department and discussed the risk and internal control issues of the Group.

Executive Committee

The Executive Committee has been established since November 1983 and currently consists of four Executive Directors, being Messrs. Lee Seng Huang *(Chairman of the Committee)*, William Leung Wing Cheung, Joseph Tong Tang and Peter Anthony Curry. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management of the Company, and is empowered, subject to the general policies adopted by the Board:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group.

Risk Management Committee

The Risk Management Committee (the "RMC") consists of four Executive Directors, being Messrs. Lee Seng Huang *(Chairman of the Committee)*, Joseph Tong Tang *(Alternate Chairman of the Committee)*, William Leung Wing Cheung and Peter Anthony Curry and one NED, being Mr. Ho Chi Kit *(with Mr. Roy Kuan as his alternate)*.

The major roles and responsibilities of the RMC are:

(i) to analyse and define risks likely to be encountered by the Group in the various aspects of its operation;

(ii) to ensure through appropriate mechanisms including setting up committee(s) and supervision by divisional/department heads, adequate review, assessment, recording and monitoring of the risks which may be encountered by the Group and the effectiveness of the Group's system of internal controls, including but without limiting the financial, operational and compliance controls and risk management functions;

(iii) to act as a provider of assurance (in conjunction with the Group's Internal Audit and Compliance departments and the Group's external auditor) to the Board in its annual review of:

(a) the changes in the nature and extent of significant risks likely to be encountered by the Group since the last annual review, and the Group's ability to respond to such changes in its business activities and external environment;

(b) the scope and quality of management's ongoing monitoring of risks and system of internal controls;

(c) the adequacy of the extent, and frequency of the communication relating to results of monitoring to the Board such that both the Board and the Audit Committee are able to develop a cumulative assessment of the state of control undertaken across the Group and the effectiveness in which risks are being managed;

(d) any major incident that poses substantial risk and/ or loss exposure to the Group, whether actual loss is incurred or not; in the event of likely or actual violations of the Code of Conduct or applicable laws, regulations, regulatory guidelines/ codes; significant internal policy, operational or technological failures; and any other significant events that may expose the Group to substantial reputational risk;

(e) the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance; and

(f) all other relevant issues appropriate to risk identification and management and internal control issues.

Special attention is required on the risk factors affecting the finance industry, a Risk Management Committee of SHKF group ("RMC-SHKF") was set up to increase focus on risk monitoring. The RMC-SHKF is filled with three Executive Directors, a NED and senior management of SHKF group as members and it reports to the RMC.

The RMC would meet if necessary, as directed by the Chairman of the RMC based on the important issues and needs covered by the RMC-SHKF. In 2013, no meetings of the RMC of the Company were held.

During the financial year of 2013, the RMC, with RMC-SHKF reporting to it, performed and monitored the following:

(i) commanded independent internal control reviews by major professional firms to enhance and improve securities business controls;

(ii) reviewed the legal and compliance issues and requirements arising from business activities and regulatory issues;

(iii) determined the feasible market risk monitoring and reporting approaches;

(iv) controlled and reviewed the annual responsibility statement regarding risk, compliance and internal control procedures for the financial year ended 31 December 2012; and

(v) reviewed and regularly updated important risk mitigating measures and controlling parameters e.g. Business Continuity Plan, risk limits.

COMPANY SECRETARY

Ms. Hester Wong Lam Chun is an employee and the Company Secretary of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the Shareholders and management.

Ms. Wong is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During 2013, Ms. Wong undertook over 15 hours of relevant professional training to update her skills and knowledge.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specified enquiries being made by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility, with the support of the Finance Department, for preparing the financial statements of the Group. In preparing the financial statements for the year ended 31 December 2013, the appropriate Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and ensure the financial statements are prepared on a "going concern" basis.

The reporting responsibilities of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), are set out in the Independent Auditor's Report on pages 64 and 65.

External Auditor's Remuneration

During the year and up to the date of this report, the remuneration paid to the Company's external auditor, Deloitte, is set out as follows:

Services rendered for the Group	**Fees paid (HK$ Million)**
Audit services	7.1
Non-audit services (taxation and other professional services)	1.8
Total	8.9

INTERNAL CONTROL

The Board is responsible to ensure that the Group maintains sound and effective internal controls to safeguard the Group's corporate interests.

The Group's internal control framework is to provide reasonable but not absolute assurance against material misstatement or loss; to manage prudently but not completely eliminate the risk of system failure. Systems and procedures are put in place to identify, manage and control the risks of different businesses and activities. Risk control limits are established according to the appropriate authorisation hierarchy. More detailed discussions of different types of risks and how they are managed could be seen in the "Management of Risks" section in the Management Discussion and Analysis; and in Note 46 to the consolidated financial statements — Financial Risk Management.

In addition to safeguarding the Group's corporate interests, the internal control framework is to maintain proper accounting records and to comply with relevant laws and regulations. The Group has independent control functions e.g. Internal Audit and Compliance. Together with the RMC (see RMC of the "Board Committees" section of the earlier part of this report), they play an important role in assuring the Board and management that a sound internal control system is being implemented, maintained, and relevant regulatory requirements are complied with.

Internal Audit is an independent function reporting to the Group Chief Financial Officer. It provides an independent and objective assurance and internal consultancy service to safeguard the Group's operations. It effects a systematic and disciplined approach to evaluate and improve the Group's process on risk management, control and governance. The audit plans are risk-based to ensure a methodical coverage of the Group's operations and resources are focused on high risk areas. Ad hoc reviews are conducted on areas of concern where necessary. Internal Audit reports are issued to the Chairman, the Audit Committee, relevant senior management and division/ department heads.

Compliance assists management to maintain effective policies, guidelines and procedures to comply with regulatory rules and requirements. It carries out regular and ad-hoc reviews to monitor the Group's regulated activities. Compliance is an independent function reporting to the Chief Executive Officer of SHKF. The Head of Compliance acts as the Group's designated Money Laundering Reporting Officer.

Each year, a Group-wide self-assessment is conducted on the effectiveness of internal control framework covering all major areas such as front-office, compliance, finance and operations with the purposes of assessing and documenting key risks to enable control improvement. The assessment is performed by the divisions and co-ordinated by the Chief Financial Officer of SHKF (the "CFO"), reporting directly to the Group Chief Financial Officer. The results and findings are reported to the RMC, Audit Committee and the Board. Other monitoring and review on risk exposures to formulate risk management policies is also co-ordinated by the CFO.

Management reviews are conducted on new products, processes and systems to ensure that policies and procedures are updated in accordance with new and changing risk-related environment.

The Group engages external consultants on ad-hoc basis to perform independent reviews covering significant parts of the Group's operations.

The Board, through the Audit Committee, reviewed the adequacy of resources, training programmes, budget, qualifications and experience of the accounting and financial reporting staff in accordance with the Listing Rules' requirements. The RMC, Audit Committee and the Board reviewed the effectiveness of the internal control systems of the Group and fulfilled the requirement of the CG Code regarding internal control systems in general.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of strong communication with our shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information and news, are also made available on the Company's website.

The Company's general meetings are valuable forums for the Board to communicate directly with the Shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) should also be available to answer questions at any general meeting of the Shareholders to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

An extraordinary general meeting (the "EGM") was held on 8 February 2013 to approve a facility agreement entered into between a subsidiary of the Company and a substantial shareholder of the Company and the details of the transaction was set out in the circular of the Company dated 23 January 2013. The 2013 AGM was held on 5 June 2013. Due to other business engagements, some NEDs (including some INEDs) could not attend the EGM and 2013 AGM. However, at the respective general meetings of the Company, there were Executive Directors and a NED and/or INEDs present to enable the Board to develop a balanced understanding of the views of the Shareholders. The attendance record of the Directors at the general meetings is set out in the section headed "Board Process" of this report.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

Notice of meetings to the Shareholders is to be sent in the case of the AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from the Shareholders regarding voting by way of a poll. The poll results of the resolutions are thereafter published in the manner prescribed under the requirements of the Listing Rules.

Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings of the Company can request to convene an extraordinary general meeting according to article 67 of the Articles and section 566 of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong). The business proposed to be transacted at the meeting must be stated in the related requisition, and which must be signed and deposited at the registered office of the Company. Besides, the Shareholders may make a proposal at a the Shareholders' meeting by submitting it in written form to the Board at the registered office of the Company in the form of a proposed resolution, which shall be clearly and concisely set out the proposal for discussion and be relevant to the Company's business scope.

The Board adopted a shareholders' communication policy in March 2012. Shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Company's registered office. If a Shareholder wishes to make an enquiry to the Board, it must be served at the Registered Office for the attention of the Company Secretary. In addition, the Shareholders can contact Tricor Secretaries Limited, the share registrar of the Company, for any questions about their shareholdings.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's Memorandum and Articles of Association during 2013. A consolidated version of the Company's Memorandum and Articles of Association is available on the websites of the Hong Kong Stock Exchange and the Company.

With the commencement of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong) from 3 March 2014, the Memorandum of Association of the Company is abolished and conditions of the Memorandum of Association are deemed to be regarded as provisions of the Articles, except that any such condition setting out authorised share capital and the par value of shares are regarded as deleted.

CORPORATE GOVERNANCE ENHANCEMENT

The Board has adopted a set of Corporate Governance documentation and shall update and revise as and when necessary in light of changes in circumstances and changes in regulatory requirements in Hong Kong. In summary, the Company has made enhancement in the following major areas during 2013:

(i) the Board has adopted a board diversity policy which sets out the approach to diversity on the Board of the Company; and

(ii) the corporate governance policy and the terms of reference of the Nomination Committee have been updated to be in line with the current requirements under the Listing Rules.

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Hong Kong Stock Exchange, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 20 March 2014

The directors of the Company (the "Directors") are pleased to present the Annual Report and audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries, associates and joint ventures are set out in Notes 23, 24 and 25 to the consolidated financial statements respectively. Details and respective analysis of the main business segments of the Group during the year are set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the Consolidated Statement of Profit or Loss. An interim dividend of HK10 cents per share was paid to shareholders on 11 October 2013. The Directors recommended the declaration of a final dividend of HK12 cents per share to shareholders of the Company whose names appear on the register of members of the Company on 13 June 2014, making a total dividend for the year 2013 of HK22 cents per share. Subject to approval by shareholders at the forthcoming annual general meeting, dividend warrants are expected to be despatched on or around 4 July 2014.

PROPERTY AND EQUIPMENT

Movements in property and equipment during 2013 are detailed in Note 19 to the consolidated financial statements.

CHARITABLE DONATIONS

The total donations made by the Group for charitable purposes during the year amounted to approximately HK$3.0 million.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 38 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity and Note 40 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Lee Seng Huang *(Group Executive Chairman)*
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

Non-Executive Directors

Ahmed Mohammed Aqil Qassim Alqassim *(appointed on 20 March 2014)*
Ho Chi Kit *(appointed as Non-Executive Director on 22 August 2013 and ceased to act as Alternate Director to Roy Kuan on 22 August 2013)*
Leung Pak To
Liu Zheng *(appointed as Alternate Director to Leung Pak To on 22 August 2013)*
Roy Kuan *(resigned as Non-Executive Director on 22 August 2013 and re-designated as Alternate Director to Ho Chi Kit on 22 August 2013)*
Goh Joo Chuan *(resigned on 20 March 2014)*

Independent Non-Executive Directors ("INEDs")

David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Peter Wong Man Kong

In accordance with article 94 of the Company's Articles of Association (the "Articles"), a new Director appointed to fill a casual vacancy shall hold office only until the next following general meeting and a new Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting of the Company ("AGM"). Besides, one-third of the Directors for the time being shall be subject to retirement by rotation, and eligible for re-election, at each AGM in accordance with article 103 of the Articles.

Accordingly, pursuant to article 94 of the Articles, Messrs. Ho Chi Kit and Ahmed Mohammed Aqil Qassim Alqassim shall hold office until the forthcoming AGM and, being eligible, offer themselves for re-election. And pursuant to article 103 of the Articles, Messrs. William Leung Wing Cheung, Alan Stephen Jones and Carlisle Caldow Procter, Directors being the longest in office since their last election, will retire at the forthcoming AGM. Except for Mr. Carlisle Caldow Procter who decided not to offer himself for re-election, the other two retiring Directors of the Company, and being eligible, offer themselves for re-election at the AGM.

DIRECTORS' INTERESTS

As at 31 December 2013, the interests of Directors in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(a) Interests in the Shares and underlying Shares

Directors	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of Shares
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,533,966,575 *(Note 2)*	72.22%
William Leung Wing Cheung	Beneficiary of trust	273,000 *(Note 3)*	0.01%
Joseph Tong Tang	Beneficiary of trust	272,000 *(Note 4(a))*	0.012%
	Beneficial owner	180,000 *(Note 4(b))*	0.008%
Peter Anthony Curry	Beneficiary of trust	387,000 *(Note 5(a))*	0.01%
	Beneficial owner	206,141 *(Note 5(b)*	0.01%

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust together with Mr. Lee Seng Hui indirectly owned approximately 68.43% of the total number of shares of Allied Group Limited ("AGL") and was therefore deemed to have interests in the Shares in which AGL was interested.

2. This refers to the deemed interests in (i) 1,192,366,575 Shares held by Allied Properties (H.K.) Limited ("APL"); and (ii) 341,600,000 Shares which were held by Asia Financial Services Company Limited ("AFSC") and charged to a subsidiary of the Company.

3. This refers to the deemed interests in 273,000 unvested Shares granted to Mr. William Leung Wing Cheung on 3 May 2013 under the SHK Employee Ownership Scheme (the "EOS") and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 91,000 Shares) shall be vested and become unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016.

4. (a) These include the deemed interests in:

    (i) 54,000 unvested Shares out of the total of 162,000 Shares granted to Mr. Joseph Tong Tang on 13 April 2011 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 54,000 Shares) was vested and became unrestricted from 15 April 2012; another one-third thereof was vested and became unrestricted from 15 April 2013; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2014;

    (ii) 200,000 unvested Shares out of the total of 300,000 Shares granted to Mr. Tong on 7 December 2012 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 100,000 Shares) was vested and became unrestricted from 1 November 2013; another one-third thereof shall be vested and become unrestricted from 1 November 2014; and the remaining one-third thereof shall be vested and become unrestricted from 1 November 2015; and

    (iii) 18,000 unvested Shares granted to Mr. Tong on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 6,000 Shares) shall be vested and become unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016.

   (b) This represents the Shares granted to Mr. Tong under the EOS that were vested, became unrestricted and the title of which was transferred to him.

5. (a) These include the deemed interests in:

    (i) 27,000 unvested Shares out of the total of 81,000 Shares granted to Mr. Peter Anthony Curry on 13 April 2011 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 27,000 Shares) was vested and became unrestricted from 15 April 2012; another one-third thereof was vested and became unrestricted from 15 April 2013; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2014;

    (ii) 228,000 unvested Shares out of the total of 342,000 Shares granted to Mr. Curry on 13 April 2012 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 114,000 Shares) was vested and became unrestricted from 15 April 2013; another one-third thereof shall be vested and become unrestricted from 15 April 2014; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2015; and

    (iii) 132,000 unvested Shares granted to Mr. Curry on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 44,000 Shares) shall be vested and become unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016.

   (b) This includes 204,000 Shares granted to Mr. Curry under the EOS that were vested, became unrestricted and the title of which was transferred to him. The balance represents the Shares received by Mr. Curry by the allotment of scrip Shares pursuant to the scrip dividend scheme of the Company.

(b) Interests in the shares, underlying shares and debentures of associated corporations

Directors	Associated corporations	Capacity	Number of shares and underlying shares	Approximate % of the total number of the relevant shares
Lee Seng Huang *(Note 1)*	AGL	Trustee (other than a bare trustee) *(Note 2)*	125,738,492	68.42%
	APL	Interests of controlled corporation *(Note 3)*	6,107,417,730 *(Note 4)*	89.78%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation *(Note 5)*	3,082,589,606 *(Note 6)*	74.97%
Joseph Tong Tang	APL	Beneficial owner	20,158 *(Note 7)*	0.0003%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL and APL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL) and APL, which are associated corporations of the Company as defined under the SFO.

   A waiver application was submitted to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for exemption from disclosure of Mr. Lee's deemed interests in the shares of such associated corporations of the Company in this report, and the waiver was granted by the Hong Kong Stock Exchange on 28 February 2014.

2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly owned 125,738,492 shares of AGL.

3. This refers to the same interests held directly or indirectly by AGL in APL.

4. These include interests in (i) 5,101,411,521 shares of APL; and (ii) listed physically settled warrants of APL giving rise to an interest in 1,006,006,209 underlying shares of APL. The warrants of APL entitle the holders thereof to subscribe at any time during the period from 13 June 2011 to 13 June 2016 (both days inclusive) for fully paid shares of APL at an initial subscription price of HK$2 per share (subject to adjustments) (the "APL Warrants").

5. This refers to the same interests held indirectly by AGL in SHK HK Ind.

6. This refers to the interest in 3,082,589,606 shares of SHK HK Ind.

7. This refers to the interest in APL Warrants giving rise to 20,158 underlying shares of APL.

All interests stated above represent long positions. As at 31 December 2013, none of the Directors held any short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at 31 December 2013, neither the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHK EMPLOYEE OWNERSHIP SCHEME

On 18 December 2007 (the "Adoption Date"), the Company adopted the EOS to recognise the contributions by any employee or director of the Group (the "Selected Grantees") and to provide them with long-term incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

A committee comprising senior management of the Company has been formed, with the power and authority delegated by the Board, to administer the EOS. An independent trustee (the "Trustee") has been appointed for the administration of the EOS. Under the EOS, Selected Grantees are to be awarded Shares which have been purchased by the Trustee at the cost of the Company and be held in trust for the Selected Grantees until the end of each vesting period. Upon management's recommendation, the number of Shares awarded to the Selected Grantees (other than a Director) shall be determined, with the vesting dates for various tranches, by the committee. Any Shares awarded under the EOS to a Selected Grantee who is a Director shall be subject to the Board's approval following a recommendation from the Remuneration Committee of the Board.

Subject to the terms thereof, the EOS shall be valid and effective for an initial term of five years commencing on 18 December 2007 and automatically extended for another three subsequent terms of five years each unless otherwise terminated. The maximum number of Shares which can be awarded under the EOS and to a Selected Grantee throughout its duration are limited to 5 per cent (i.e. 83,989,452 Shares) and 1 per cent (i.e. 16,797,890 Shares) of the total number of Shares in issue as at the Adoption Date.

During the year, a total of 1,958,000 Shares (2012: 2,424,000 Shares) were awarded to the Selected Grantees subject to various terms including, amongst other things, vesting scales whereby awarded shares will vest and become unrestricted in various vesting period. A total of 1,424,000 Shares (2012: 1,194,000 Shares) were vested during the year.

Since its adoption, a total of 12,415,000 Shares have been awarded up to the date of this report, representing about 0.74 per cent of the total number of Shares in issue as at the Adoption Date. As at 31 December 2013, the outstanding awarded Shares under the EOS (excluding Shares awarded, but subsequently forfeited) amounted to 3,347,000 Shares, out of which 932,000 Shares were awarded to the Directors.

ARRANGEMENT FOR THE ACQUISITION OF SHARES OR DEBENTURES

Other than the EOS, at no time during the year was the Company, its holding company or any of their subsidiaries, a party to any arrangement 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2013, the following shareholders had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of Shares
APL	Interests of controlled corporation *(Note 1)*	1,533,966,575 *(Note 2)*	72.22%
AGL	Interests of controlled corporation *(Note 3)*	1,533,966,575 *(Note 4)*	72.22%
Lee and Lee Trust	Interests of controlled corporation *(Note 5)*	1,533,966,575 *(Note 4)*	72.22%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000 *(Note 6)*	7.81%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation *(Note 7)*	166,000,000 *(Note 8)*	7.81%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation *(Note 9)*	166,000,000 *(Note 8)*	7.81%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation *(Note 10)*	166,000,000 *(Note 8)*	7.81%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation *(Note 11)*	166,000,000 *(Note 8)*	7.81%
Dubai Group Limited ("DGL")	Interests of controlled corporation *(Note 12)*	166,000,000 *(Note 8)*	7.81%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation *(Note 13)*	166,000,000 *(Note 8)*	7.81%
AFSC	Beneficial owner	341,600,000 *(Note 14)*	16.08%

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of Shares
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation *(Note 15)*	341,600,000 *(Note 16)*	16.08%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation *(Note 17)*	341,600,000 *(Note 16)*	16.08%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation *(Note 18)*	341,600,000 *(Note 16)*	16.08%
CVC Capital Partners Asia Pacific III L. P. ("CVC LP")	Interests of controlled corporation *(Note 19)*	341,600,000 *(Note 16)*	16.08%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation *(Note 20)*	341,600,000 *(Note 16)*	16.08%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation *(Note 21)*	341,600,000 *(Note 16)*	16.08%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation *(Note 22)*	341,600,000 *(Note 16)*	16.08%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation *(Note 23)*	341,600,000 *(Note 16)*	16.08%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation *(Note 24)*	341,600,000 *(Note 16)*	16.08%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation *(Note 25)*	341,600,000 *(Note 16)*	16.08%
CVC Capital Partners 2013 PCC ("CVC Capital Partners 2013")	Interests of controlled corporation *(Note 26)*	341,600,000 *(Note 16)*	16.08%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation *(Note 27)*	341,600,000 *(Note 16)*	16.08%
Sun Hung Kai Structured Finance Limited ("SHKSF")	Security interest holder	341,600,000 *(Note 28)*	16.08%
Sun Hung Kai Financial Limited ("SHKF")	Interests of controlled corporation *(Note 29)*	341,600,000 *(Note 30)*	16.08%

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of Shares
Sun Hung Kai Financial Group Limited ("SHKFG")	Interests of controlled corporation *(Note 31)*	341,600,000 *(Note 30)*	16.08%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation *(Note 32)*	341,600,000 *(Note 30)*	16.08%
Ontario Teachers' Pension Plan Board	Beneficial owner	122,035,002 *(Note 33)*	5.74%

Notes:

1. The interests were held by (i) AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn is a wholly-owned subsidiary of APL; and (ii) SHKSF, an indirect non wholly-owned subsidiary of APL. APL was therefore deemed to have interests in the Shares in which AP Emerald and SHKSF were interested.

2. These include (i) an interest in 1,192,366,575 Shares held by APL through AP Emerald; and (ii) security interest in 341,600,000 Shares which were held by AFSC and charged to SHKSF as security.

3. AGL owned approximately 74.99% of the total number of shares of APL and was therefore deemed to have an interest in the Shares in which APL was interested.

4. This refers to the same deemed interests in 1,533,966,575 Shares held by APL.

5. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 68.43% of the total number of shares of AGL (inclusive of Mr. Lee Seng Hui's personal interest) and were therefore deemed to have an interest in the Shares in which AGL was interested.

6. This represents an interest in 166,000,000 Shares.

7. DVG owned 99% interest in the issued share capital of Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.

8. This refers to the same interests in 166,000,000 Shares held by Dubai Ventures.

9. Dubai Group owned 99% interest in the issued share capital of DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.

10. DHIG owned 51% interest in the issued share capital of Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

11. Dubai Holding owned approximately 99.66% interest in the issued share capital of DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.

12. DGL, through its wholly-owned subsidiary, owned 49% interest in the issued share capital of Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

13. HH Mohammed Bin Rashid Al Maktoum owned approximately 97.40% interest in the issued share capital of Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.

14. This represents an interest in 341,600,000 Shares.

15. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.

16. This refers to the same interests in 341,600,000 Shares held by AFSC.

17. AFSG owned 99.1% interest in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.

18. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.

19. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested.

20. CVC Capital III, as the general partner of CVC LP, exclusively managed and controlled CVC LP and was therefore deemed to have an interest in the Shares in which CVC LP was interested.

21. CVC Capital Partners Advisory held 100% interest in CVC Capital III and was therefore deemed to have an interest in the Shares in which CVC Capital III was interested.

22. CVC Capital Partners Finance held 100% interest in CVC Capital Partners Advisory and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Advisory was interested.

23. CVC Group Holdings held 100% interest in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Finance was interested.

24. CVC Portfolio, as the general partner of CVC Group Holdings, exclusively managed and controlled CVC Group Holdings and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.

25. CVC MMXII held 100% interest in CVC Portfolio and was therefore deemed to have an interest in the Shares in which CVC Portfolio was interested.

26. CVC Capital Partners 2013 (previously known as CVC Capital Partners 2012 Limited) held 100% interest in CVC MMXII and was therefore deemed to have an interest in the Shares in which CVC MMXII was interested.

27. CVC Capital Partners SA held 100% interest in CVC Capital Partners 2013 and was therefore deemed to have an interest in the Shares in which CVC Capital Partners 2013 was interested.

28. This represents security interests in 341,600,000 Shares, which were pledged by AFSC to SHKSF as security.

29. SHKF held 100% interest in SHKSF and was therefore deemed to have an interest in the Shares in which SHKSF was interested.

30. This refers to the same security interests in 341,600,000 Shares held as holder of securities by SHKSF.

31. SHKFG held 100% interest in SHKF and was therefore deemed to have an interest in the Shares in which SHKF was interested.

32. The Company held 100% interest in SHKFG and was therefore deemed to have an interest in the Shares in which SHKFG was interested.

33. This represents an interest in 122,035,002 Shares.

All interests stated above represent long positions. As at 31 December 2013, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2013, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would require to be disclosed to the Company pursuant to Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

(1) Sharing of Management Services Agreement for three years from 2011 to 2013

As disclosed in the announcement of the Company dated 31 January 2011, and in its Annual Report for the years 2011 and 2012, a Renewed Sharing of Management Services Agreement was entered into between the Company and AGL on 31 January 2011 (the "Renewed Management Services Agreement") to extend the term of the Sharing of Management Services Agreement dated 31 January 2008 for a period of three years from 1 January 2011 to 31 December 2013, in relation to the provision of management, consultancy, strategic and business advice services by the senior management and the selected staff of AGL to the Company and its subsidiaries, and the reimbursement of costs payable to AGL. Pursuant to the Renewed Management Services Agreement, the aggregate amount payable to AGL for the three financial years ended 31 December 2013 shall not exceed HK$3.24 million, HK$3.63 million and HK$4.08 million respectively. The total amount paid to AGL for the year ended 31 December 2013 was HK$4.08 million.

(2) Insurance Brokerage Services Agreements for two years from 2013 to 2014

As disclosed in the announcement of the Company dated 29 January 2013, and in its Annual Report for the year 2012, Sun Hung Kai Insurance Consultants Limited ("SHK Insurance"), an indirect wholly-owned subsidiary of the Company, entered into an insurance brokerage services agreement with each of AGL, APL, Allied Overseas Limited ("AOL", which has subsequently changed its name to SkyOcean Investment Holdings Limited), Tian An China Investments Company Limited ("TACI", an associated company of APL) and Yu Ming Investment Management Limited ("YMIM", an indirect wholly-owned subsidiary of AGL) on 29 January 2013 (collectively the "Insurance Brokerage Services Agreements") whereby SHK Insurance would provide packaged insurance brokerage services to each of the AGL Group, the APL Group, the AOL Group, the TACI Group (as defined in the said announcement) and YMIM for two years from 1 January 2013 to 31 December 2014 by assisting them in procuring insurance policies to be taken out with third party insurers ("Insurance Services") in accordance with the terms of the Insurance Brokerage Services Agreements. The maximum aggregate amount payable by the AGL Group, the APL Group, the AOL Group, the TACI Group and YMIM under the Insurance Brokerage Services Agreements for the two years ending 31 December 2014 shall be:

	2013 **HK$ Million**	2014 HK$ Million
AGL Group	**1.0**	1.2
APL Group	**1.6**	2.0
AOL Group	**1.44**	N/A
TACI Group	**1.751**	2.028
YMIM	**0.146**	0.175

The total amount paid by the AGL Group, the APL Group, the AOL Group, the TACI Group and YMIM to SHK Insurance for the year ended 31 December 2013 under the Insurance Brokerage Services Agreements were approximately HK$0.833 million, HK$1.393 million, HK$1.035 million, HK$1.510 million and HK$0.127 million respectively.

AOL has, on 30 December 2013, ceased to be a subsidiary of APL and accordingly is no longer the connected person of the Company since that date. Therefore, the transaction under the Insurance Brokerage Services Agreement between SHK Insurance and AOL dated 29 January 2013 would not constitute a continuing connected transaction for the Company from 30 December 2013 onwards.

(3) Loan Facility

On 5 April 2013, Sun Hung Kai International Bank [Brunei] Limited ("SHKIB"), an indirect wholly-owned subsidiary of the Company, agreed to make available a facility of up to A$15 million (the "Loan Facility") to Tanami Gold NL ("Tanami") at an interest rate of 6% per annum and payment of facility fees. The Loan Facility was extended on 23 September 2013. As disclosed in the announcement of the Company dated 31 December 2013, Tanami became an associate of APL on 30 December 2013. The Loan Facility therefore became a connected transaction for the Company and as the facility remains available to Tanami, a continuing connected transaction. The maximum aggregate amount set for the transaction contemplated under the Loan Facility for the period from 5 April 2013 to 31 December 2013, the year ending 31 December 2014 and the period from 1 January 2015 to 31 March 2015 shall be A$16.4 million, A$16.8 million and A$15.5 million respectively.

The principal amount of the Loan Facility, the annual interest and the facility fees paid by Tanami for the period from 5 April 2013 to 31 December 2013 was approximately A$15.14 million. The loan has been partially repaid after the end of the reporting period. The principal outstanding as at the date of this report was A$7 million.

Given that APL is a substantial shareholder of the Company; and AGL, AOL, TACI, YMIM and Tanami are all associates of APL (at the respective relevant time) under the definition of the Listing Rules, each of AGL, APL, AOL, TACI, YMIM and Tanami (at the respective relevant time) is regarded as a connected person of the Company under the Listing Rules. As such, the entering into of the Renewed Management Services Agreement, the Insurance Brokerage Services Agreements and the Loan Facility constituted continuing connected transactions for the Company (the "Continuing Connected Transactions") under Rule 14A.34 of the Listing Rules. In accordance with the requirements of Rules 14A.45 and 14A.46 of the Listing Rules, details of the said three Continuing Connected Transactions are included in this report.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Pursuant to Rule 14A.37 of the Listing Rules, the INEDs, being Messrs. David Craig Bartlett, Alan Stephen Jones, Carlisle Caldow Procter and Peter Wong Man Kong, reviewed the above Continuing Connected Transactions and confirmed that they were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Renewed Management Services Agreement, the Insurance Brokerage Services Agreements and the relevant agreements of the Loan Facility governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transactions were entered into in the manners stated above.

(4) Renewed Sharing of Management Services Agreement for three years from 2014 to 2016

As disclosed in the announcement of the Company dated 28 January 2014, the Company entered into a renewed sharing of management services agreement with AGL on 28 January 2014 (the "New Sharing of Management Services Agreement"), after the end of the reporting period, for the provision of the management services for three years from 1 January 2014 and expiring on 31 December 2016 in accordance with the terms of the New Sharing of Management Services Agreement.

(5) Leasing Agreements with subsidiaries of TACI

As disclosed in the joint announcement of the Company and TACI dated 29 January 2014, Dalian Tian An Tower Co., Ltd. ("Dalian Tian An"), an indirect wholly-owned subsidiary of TACI, entered into a leasing agreement as the lessor with United Asia Finance (Free Trade Zone Dalian) Limited, an indirect non wholly-owned subsidiary of the Company, as the lessee on 29 January 2014 (the "Leasing Agreement V") in relation to the leasing of premises located in Dalian Tian An International Building, Dalian, the PRC for a term of two years and six months from 1 January 2014 to 30 June 2016 in accordance with the terms of the Leasing Agreement V.

In addition to the Leasing Agreement V, Dalian Tian An and Nanjing Tiandu Industry Co., Ltd. ("Nanjing Tiandu", an indirect wholly-owned subsidiary of TACI) had entered into another four leasing agreements with the Group since May 2011 (the five leasing agreements, collectively, are known as the "Leasing Agreements"), details of which were set out in the joint announcement of the Company and TACI dated 29 January 2014.

(6) Master Lease Agreement for two years from 1 January 2014 to 31 December 2015

As disclosed in the announcement of the Company dated 14 February 2014 (the "Announcement"), the Company entered into a master lease agreement as the lessee with Art View Properties Limited ("Art View"), a joint venture of APL, as the lessor on 14 February 2014 (the "Master Lease Agreement") whereby any member of the Group may continue, amend or renew the existing leases or enter into new leases, sub-leases and licenses in relation to Allied Kajima Building with Art View from time to time as are necessary for the future business needs of the Group during the period from 1 January 2014 to 31 December 2015 in accordance with the terms of the Master Lease Agreement. During the financial year ended 31 December 2013, there were certain occasions where upon a subsidiary of the Company entering into certain leases with Art View in respect of Allied Kajima Building, the applicable percentage ratios calculated with reference to the total rental and management fees and charges paid to Art View on an annual basis in respect of the Allied Kajima Building were, at the relevant times, more than 0.1% but less than 0.5% and accordingly, the Company did not comply with Rule 14A.34 of the Listing Rules upon the entering into of such leases. Further details in respect of such leases are disclosed in the Announcement.

Given that APL is a substantial shareholder of the Company, and AGL, Dalian Tian An, Nanjing Tiandu and Art View are all associates of APL under the definition of the Listing Rules, each of AGL, Dalian Tian An, Nanjing Tiandu and Art View is regarded as a connected person of the Company. As such, the entering into of the New Sharing of Management Services Agreement, Leasing Agreements and Master Lease Agreement constituted continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules as disclosed in the abovementioned announcements of the Company. In accordance with the requirements of Rules 14A.45 and 14A.46 of the Listing Rules, details of the said continuing connected transactions will be included in the next published annual report and accounts of the Company.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group are set out in Note 33 to the consolidated financial statements.

SUBSIDIARIES

Particulars regarding the principal subsidiaries are set out in Note 23 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 47.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERMS OF OFFICE FOR THE NON-EXECUTIVE DIRECTORS

All the Non-Executive Directors (including the INEDs) were appointed for a specific term of two years which shall continue until 31 December 2014 but subject to the relevant provisions of the Articles or any applicable laws whereby the Directors shall vacate or retire from their office.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, save as disclosed below, none of the Directors (not being the INEDs) are considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, APL and TACI which, through their subsidiaries, are partly engaged in the businesses as follows:

   - AGL, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment;

   - APL, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment; and

   - TACI, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment.

2. Mr. Peter Anthony Curry is a director of APAC Resources Limited which, through certain of their subsidiaries, are partly involved in trading and investment of listed securities.

3. Mr. Leung Pak To is the chairman and substantial shareholder of Luminary Capital Limited which carries out Type 6 licensed activity (advising on corporate finance) in Hong Kong.

Although the abovementioned Directors have competing interests in other companies by virtue of their respective common directorship, they will fulfil their fiduciary duties in order to ensure that they will act in the best interests of the shareholders and the Company as a whole at all times. Hence the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year.

Also, the aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, the Company repurchased a total of 39,166,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$205,938,840. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price Highest *(HK$)*	Purchase price Lowest *(HK$)*	Aggregate consideration (before expenses) *(HK$)*
January	14,812,000	5.65	5.12	80,032,420
February	7,020,000	5.68	5.41	39,041,420
March	3,096,000	5.40	5.16	16,476,760
April	6,582,000	5.55	5.02	34,498,380
May	2,822,000	5.45	5.31	15,238,870
August	898,000	4.35	4.19	3,823,140
September	1,308,000	4.40	4.10	5,613,990
October	352,000	4.40	4.33	1,539,660
December	2,276,000	4.30	4.17	9,674,200
	39,166,000			205,938,840

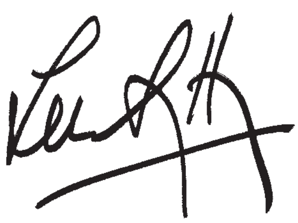
The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2013.

AUDITOR

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Lee Seng Huang
Group Executive Chairman

Hong Kong, 20 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SUN HUNG KAI & CO. LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sun Hung Kai & Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 156, which comprise the consolidated and Company's statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$ Million	2012 HK$ Million
Revenue (turnover)	5	**4,575.5**	3,723.4
Other income	7	**103.8**	184.5
Total income		**4,679.3**	3,907.9
Brokerage and commission expenses		**(260.0)**	(187.9)
Advertising and promotion expenses		**(125.3)**	(124.7)
Direct cost and operating expenses		**(80.0)**	(72.5)
Administrative expenses	10	**(1,470.4)**	(1,290.9)
Net profit on financial assets and liabilities	11	**79.3**	171.5
Net exchange gain (loss)		**(75.8)**	3.7
Bad and doubtful debts	12	**(589.9)**	(503.7)
Finance costs	13	**(400.5)**	(200.8)
Other expenses		**(55.1)**	(14.5)
		1,701.6	1,688.1
Share of results of associates		**11.8**	10.9
Share of results of joint ventures		**6.8**	1.3
Profit before taxation	10	**1,720.2**	1,700.3
Taxation	14	**(260.3)**	(276.0)
Profit for the year		**1,459.9**	1,424.3
Profit attributable to:			
— Owners of the Company		**1,051.6**	1,036.4
— Non-controlling interests		**408.3**	387.9
		1,459.9	1,424.3
Earnings per share	16		
— Basic (HK cents)		**49.4**	48.9
— Diluted (HK cents)		**49.4**	48.9

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK$ Million	2012 HK$ Million
Profit for the year	**1,459.9**	1,424.3
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
— Net fair value changes during the year	**(9.7)**	(3.7)
— Reclassification adjustment to profit or loss on disposal	**(0.1)**	(46.6)
— Reclassification upon impairment	**10.0**	0.7
	0.2	(49.6)
Exchange differences arising on translating foreign operations	**157.9**	45.6
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**31.6**	(0.4)
Reclassification adjustment to profit or loss on disposal of associates and joint ventures	**(10.3)**	—
Share of other comprehensive income of joint ventures	**38.6**	—
Other comprehensive income (expenses) for the year	**218.0**	(4.4)
Total comprehensive income for the year	**1,677.9**	1,419.9
Total comprehensive income attributable to:		
— Owners of the Company	**1,203.2**	1,013.7
— Non-controlling interests	**474.7**	406.2
	1,677.9	1,419.9

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Non-current Assets			
Investment properties	17	**811.3**	760.9
Leasehold interests in land	18	**9.8**	9.8
Property and equipment	19	**285.1**	240.5
Intangible assets	20	**985.9**	1,001.4
Goodwill	21	**2,384.0**	2,384.0
Interest in associates	24	**30.1**	60.4
Interest in joint ventures	25	**162.4**	121.5
Available-for-sale investments	26	**262.9**	120.4
Financial assets at fair value through profit or loss	26	**378.3**	286.1
Statutory deposits		**28.6**	26.5
Deferred tax assets	27	**201.6**	106.0
Amounts due from associates and joint ventures	29	**65.9**	51.4
Loans and advances to consumer finance customers	30	**3,440.5**	3,057.6
Trade and other receivables	31	**1,131.8**	720.0
Deposits for acquisition of property and equipment		**75.2**	20.4
		10,253.4	8,966.9
Current Assets			
Financial assets at fair value through profit or loss	26	**655.6**	469.0
Taxation recoverable		**6.4**	17.6
Amounts due from associates and joint ventures	29	**7.9**	6.6
Loans and advances to consumer finance customers	30	**6,603.0**	5,236.2
Trade and other receivables	31	**6,530.4**	5,524.0
Amounts due from the immediate holding company	35	**8.9**	—
Bank deposits	32	**755.6**	467.8
Cash and cash equivalents	32	**2,982.9**	4,567.5
		17,550.7	16,288.7
Current Liabilities			
Financial liabilities at fair value through profit or loss	26	**60.8**	52.7
Bank and other borrowings	33	**2,435.4**	3,166.6
Trade and other payables	34	**1,866.5**	1,337.6
Amounts due to fellow subsidiaries and a holding company	35	**25.7**	8.9
Amounts due to associates	35	**0.1**	0.1
Provisions	36	**45.9**	33.0
Taxation payable		**141.5**	102.2
Bonds and notes	37	**366.2**	—
		4,942.1	4,701.1
Net Current Assets		**12,608.6**	11,587.6
Total Assets less Current Liabilities		**22,862.0**	20,554.5

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Capital and Reserves			
Share capital	38	**424.7**	432.4
Reserves		**12,977.4**	12,430.6
Equity attributable to owners of the Company		**13,402.1**	12,863.0
Non-controlling interests		**3,417.2**	3,102.3
Total Equity		**16,819.3**	15,965.3
Non-current Liabilities			
Financial liabilities at fair value through profit or loss	26	**42.9**	—
Deferred tax liabilities	27	**207.3**	210.4
Bank and other borrowings	33	**2,448.8**	1,174.4
Provisions	36	**11.6**	10.1
Bonds and notes	37	**3,332.1**	3,194.3
		6,042.7	4,589.2
		22,862.0	20,554.5

The consolidated financial statements on pages 66 to 156 were approved and authorised for issue by the Board of Directors on 20 March 2014 and are signed on its behalf by:

Lee Seng Huang
Director

Peter Anthony Curry
Director

Statement of Financial Position

At 31 December 2013

	Notes	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Non-current Assets			
Property and equipment		**0.4**	—
Intangible assets		**1.1**	1.1
Interest in subsidiaries	23	**3,981.6**	4,011.0
Amounts due from subsidiaries	28	**6,078.9**	6,444.6
Amounts due from associates	29	**59.5**	54.4
		10,121.5	10,511.1
Current Assets			
Amounts due from subsidiaries	28	**467.0**	329.0
Amounts due from associates	29	**1.2**	—
Taxation recoverable		**2.0**	—
Trade and other receivables		—	0.2
Cash and cash equivalents		**0.8**	31.2
		471.0	360.4
Current Liabilities			
Amounts due to subsidiaries	28	**170.2**	117.5
Trade and other payables	34	**11.0**	32.1
Trade payable to a holding company		**1.0**	0.9
Taxation payable		—	0.6
		182.2	151.1
Net Current Assets		**288.8**	209.3
Total Assets less Current Liabilities		**10,410.3**	10,720.4
Capital and Reserves			
Share capital	38	**424.7**	432.4
Reserves	40	**9,985.6**	10,288.0
Equity attributable to owners of the Company		**10,410.3**	10,720.4

Lee Seng Huang
Director

Peter Anthony Curry
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Equity element of warrants HK$ Million	Shares held for Employee Ownership Scheme HK$ Million	Employee share-based compensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2013	432.4	7,250.7	63.7	57.6	(25.2)	8.9	103.1	452.4	0.9	4,518.5	12,863.0	3,102.3	15,965.3
Profit for the year	–	–	–	–	–	–	–	–	–	1,051.6	1,051.6	408.3	1,459.9
Other comprehensive income (expenses) for the year (Note 39)	–	–	–	–	–	–	112.2	40.3	(0.9)	–	151.6	66.4	218.0
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	112.2	40.3	(0.9)	1,051.6	1,203.2	474.7	1,677.9
Recognition of equity-settled share-based payments	–	–	–	–	–	9.5	–	–	–	–	9.5	–	9.5
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	–	(2.7)	–	–	–	–	–	(2.7)	–	(2.7)
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	–	8.1	(8.1)	–	–	–	–	–	–	–
Final dividend paid	–	–	–	–	–	–	–	–	–	(252.2)	(252.2)	–	(252.2)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(212.7)	(212.7)	–	(212.7)
Unclaimed dividend forfeited	–	–	–	–	–	–	–	–	–	0.6	0.6	–	0.6
Shares issued for scrip dividends	0.1	3.0	–	–	–	–	–	–	–	(3.1)	–	–	–
Shares repurchased and cancelled	(7.8)	–	7.8	–	–	–	–	–	–	(206.6)	(206.6)	–	(206.6)
Transfer on expiry of warrants	–	–	–	(57.6)	–	–	–	–	–	57.6	–	–	–
Transfer retained earnings to capital reserves	–	–	–	–	–	–	–	–	27.8	(27.8)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(159.8)	(159.8)
At 31 December 2013	424.7	7,253.7	71.5	–	(19.8)	10.3	215.3	492.7	27.8	4,925.9	13,402.1	3,417.2	16,819.3

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Equity element of warrants HK$ Million	Shares held for Employee Ownership Scheme HK$ Million	Employee share-based com-pensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2012	421.9	7,011.0	60.5	57.6	(19.6)	9.1	76.2	502.0	0.8	3,968.0	12,087.5	2,315.5	14,403.0
Profit for the year	–	–	–	–	–	–	–	–	–	1,036.4	1,036.4	387.9	1,424.3
Other comprehensive income (expenses) for the year (Note 39)	–	–	–	–	–	–	26.9	(49.6)	0.1	(0.1)	(22.7)	18.3	(4.4)
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	26.9	(49.6)	0.1	1,036.3	1,013.7	406.2	1,419.9
Recognition of equity-settled share-based payments	–	–	–	–	–	7.5	–	–	–	–	7.5	–	7.5
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	–	(10.0)	–	–	–	–	–	(10.0)	–	(10.0)
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	–	4.4	(7.7)	–	–	–	3.3	–	–	–
Final dividend paid	–	–	–	–	–	–	–	–	–	(86.0)	(86.0)	–	(86.0)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(83.5)	(83.5)	–	(83.5)
Shares issued for scrip dividends	13.7	239.7	–	–	–	–	–	–	–	(253.4)	–	–	–
Shares repurchased and cancelled	(3.2)	–	3.2	–	–	–	–	–	–	(66.2)	(66.2)	–	(66.2)
Shares of subsidiaries issued to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	490.8	490.8
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(110.2)	(110.2)
At 31 December 2012	432.4	7,250.7	63.7	57.6	(25.2)	8.9	103.1	452.4	0.9	4,518.5	12,863.0	3,102.3	15,965.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 **HK$ Million**	2012 HK$ Million
Operating activities		
Profit before taxation	**1,720.2**	1,700.3
Adjustments for:		
— Share of results of associates	**(11.8)**	(10.9)
— Share of results of joint ventures	**(6.8)**	(1.3)
— Dividend income	**(9.4)**	(16.4)
— Interest income	**(3,786.6)**	(3,074.1)
— Profit on liquidation of subsidiaries	**—**	(3.8)
— Profit on disposal of associates	**(30.1)**	(0.3)
— Profit on disposal of a joint venture	**(0.5)**	—
— Profit on disposal of available-for-sale investments	**(0.6)**	(96.4)
— Increase in fair value of investment properties	**(46.5)**	(45.6)
— Written back of impairment loss for amounts due from associates	**(14.2)**	—
— Written back of impairment loss for interest in associates	**(1.0)**	—
— Gain on repurchase of notes	**—**	(3.8)
— Expenses recognised for the SHK Employee Ownership Scheme	**9.5**	7.5
— Amortisation of leasehold interests in land	**0.3**	0.4
— Amortisation of intangible assets	**37.4**	44.2
— Depreciation of property and equipment	**58.9**	55.5
— Net (profit) loss on disposal/written off of equipment and intangible assets	**(0.1)**	0.1
— Impairment loss on intangible assets	**—**	3.7
— Impairment loss on available-for-sale investments	**10.0**	9.5
— Impairment loss on amounts due from associates	**—**	1.1
— Loss on liquidation of subsidiaries	**31.6**	—
— Bad and doubtful debts	**589.9**	503.7
— Interest expenses	**389.0**	194.9
— Net fair value (profit) loss on financial assets and liabilities	**(75.5)**	17.7
— Exchange difference	**27.4**	1.7
Operating cash flows before movements in working capital	**(1,108.9)**	(712.3)
Change in financial assets at fair value through profit or loss	**(92.1)**	50.3
Change in loans and advances to consumer finance customers	**(2,183.9)**	(1,058.4)
Change in trade and other receivables	**(1,455.7)**	(45.4)
Change in amounts due from the immediate holding company	**(8.9)**	—
Change in financial liabilities at fair value through profit or loss	**21.9**	19.0
Change in trade and other payables	**527.6**	308.1
Change in amounts due to fellow subsidiaries and a holding company	**16.7**	5.2
Change in provisions	**13.9**	(15.8)
Cash used in operations	**(4,269.4)**	(1,449.3)
Dividends received from held for trading investments	**5.6**	6.9
Interest received	**3,773.4**	3,075.6
Interest paid	**(342.2)**	(132.3)
Taxation paid	**(309.7)**	(283.2)
Net cash from (used in) operating activities	**(1,142.3)**	1,217.7

	2013 HK$ Million	2012 HK$ Million
Investing activities		
Purchase of property and equipment	**(98.3)**	(66.1)
Proceeds on disposal of equipment	**0.5**	—
Purchase of intangible assets	**(20.3)**	(21.9)
Liquidation of subsidiaries	**(0.2)**	3.5
Advance to associates	**(0.3)**	(0.2)
Dividends received from associates	**24.3**	12.0
Capital injection to a joint venture	**(4.8)**	(3.1)
Dividends received from joint ventures	**3.8**	5.3
Proceeds on disposal of a joint venture	**6.2**	—
Advance to joint ventures	**(6.9)**	—
Dividends received from available-for-sale investments	**3.8**	9.4
Purchase of available-for-sale investments	**(168.8)**	(1.0)
Proceeds on disposal of available-for-sale investments	**17.4**	234.0
Purchase of long-term financial assets designated as at fair value through profit or loss	**(222.0)**	(35.6)
Proceeds on long-term financial assets designated as at fair value through profit or loss	**15.2**	3.9
Net refund (payment) of statutory deposits	**(2.1)**	0.3
Payment of deposits for acquisition of property and equipment	**(27.1)**	(0.8)
Fixed deposits with banks (placed) withdrawn	**(271.3)**	476.2
Net cash from (used in) investing activities	**(750.9)**	615.9
Financing activities		
Net short-term bank and other borrowings repaid	**(1,936.0)**	(816.9)
New long-term bank borrowings raised	**2,396.1**	318.7
Repayment of long-term bank loans	**(8.5)**	(35.1)
Repayment of short-term loans due to fellow subsidiaries	**—**	(1,250.0)
Repayment of loan due to an associate of a holding company	**—**	(24.6)
Proceeds from issue of notes	**625.3**	2,678.5
Proceeds from issue of long-term bonds designated as at fair value through profit or loss	**134.8**	—
Purchase of notes	**(187.4)**	(31.2)
Repurchase of notes	**—**	(56.0)
Proceeds from disposal of notes	**27.9**	—
Proceeds from issue of preference shares	**41.7**	—
Purchase of shares for the SHK Employee Ownership Scheme	**(2.7)**	(10.0)
Shares repurchased and cancelled	**(206.6)**	(66.2)
Dividends paid	**(464.9)**	(169.5)
Dividends to non-controlling interests	**(159.8)**	(110.2)
Capital contribution by non-controlling interests	**—**	490.8
Net cash from financing activities	**259.9**	918.3
Net change in cash and cash equivalents	**(1,633.3)**	2,751.9
Cash and cash equivalents at 1 January	**4,567.5**	1,795.1
Effect of foreign exchange rate changes	**48.7**	20.5
Cash and cash equivalents at the end of the year (note 32)	**2,982.9**	4,567.5

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is AP Emerald Limited. Its ultimate holding company is Allied Group Limited, a public limited company which is listed and incorporated in Hong Kong. The ultimate controlling party of the Company is the trustees of Lee and Lee Trust. The address of the principal place of business of the trustees of Lee and Lee Trust is 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The address of the registered office of the Company is disclosed in the Corporate Information section of the Annual Report. The principal place of business of the Company is in Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activity of the Company is to act as an investment holding company and the principal activities of its major subsidiaries are disclosed in Note 23.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group adopted certain new and revised Standards and Amendments to Standards that are mandatorily effective for the Group’s financial year beginning on 1 January 2013. Except as described below, the adoption of these Standards and Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. As a result, the consolidated income statement and consolidated statement of comprehensive income are renamed as consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income during the year. As required by the amendments, the items of other comprehensive income are also grouped into two categories in the consolidated statement of profit or loss and other comprehensive income: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. Additional information was disclosed in the notes to the consolidated financial statements in accordance with the standard.

HKFRS 13 — Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards. In accordance with the transitional provisions of HKFRS 13, additional information was disclosed in the notes to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities Disclosures

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement or similar agreements. Additional information was disclosed in the notes to the consolidated financial statements in accordance with the amendments.

New HKFRSs and Amendments in issue but not yet effective

The Group has not early applied the following new HKFRSs and amendments that have been issued but are not yet effective, and are relevant to the operations of the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2014
2 Mandatory effective date has not yet been fixed
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except as described below, the management anticipates that the application of the new HKFRSs and amendments does not have material impact to the consolidated financial statements.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospectively application required. The management anticipates that the application of the above amendments will not have material impact to the amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 9 — Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, an entity may make an irrevocable election to present changes in fair value of equity investments in other comprehensive income, with only dividend income recognised in profit or loss.

HKFRS 9 is available for application but the mandatory effective date has not yet been fixed. The application of HKFRS 9 might affect the measurement of the Group's financial assets. The management is still in the process of assessing the impact of the adoption of HKFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of preparation and consolidation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and the Group's interest in associates and joint ventures. The income and expenses of subsidiaries acquired or disposed of during the year are included in profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a debit balance.

All intra-group transactions, balances, income and expenses within the Group are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

— liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Goodwill

Goodwill arising on acquisition is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

(e) Interest in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Control is generally accompanied by a shareholding of more than one half of the voting rights. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the accumulated amounts in equity are accounted for as if the Group had directly disposed of the related assets.

Investments in subsidiaries are included in the Company's statement of financial position at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(f) Interests in associates and joint ventures

An associate is a company not being a subsidiary or a joint venture, in which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Interests in associates and joint ventures *(continued)*

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date in which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

When the Group transacts with an associate or a joint venture of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

In the Company's statement of financial position, the interest in an associate or a joint venture is stated at cost less impairment. The results of the associate or joint venture are accounted by the Company on the basis of dividends received or receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Investment properties

The Group's investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are initially measured at cost including all transaction costs. Subsequent to initial recognition they are stated at fair value based on an independent professional valuation at the end of each reporting period. Any revaluation increase or decrease arising from the revaluation of investment properties is recognised in profit or loss in the year in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

(h) Leasehold interests in land

Leasehold interests in land are classified as operating leases and presented as "leasehold interests in land" in the consolidated statement of financial position when all the risks and rewards incidental to ownership are not substantially transferred to the Group. Leasehold interests in land are amortised in profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in profit or loss.

(i) Property and equipment

Property and equipment include buildings and leasehold land (classified as finance lease) held by the Group for its own use. All property and equipment are stated at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Property	—	shorter of the estimated useful life and the remaining lease term of land
Furniture and equipment	—	10% to 33% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

If an item of property included in "property and equipment" becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

For a transfer from an investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Property and equipment *(continued)*

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

(j) Intangible assets

(i) Exchange participation rights and club membership

They comprise:

— the eligibility right to trade through The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and other exchanges; and

— the eligibility right to use the facilities of various clubs.

The exchange participation rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash flows indefinitely. The management also considers that the club membership does not have a finite useful life.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised from the dates when the software becomes available for use using the straight-line method.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such intangible assets are measured at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis. Intangible assets with indefinite lives are carried at cost less any impairment losses and are tested for impairment annually by comparing their recoverable amount with their carrying amount.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets

(i) Classification

Financial assets of the Group are classified under the following categories:

"Financial assets at fair value through profit or loss"

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of selling in the short-term. All derivative financial assets are also categorised as held for trading unless they are designated as effective hedging instruments. Financial assets other than financial assets held for trading may be designated as fair value through profit or loss if the assets are managed and their performance is evaluated on a fair value basis, in accordance with the Group's investment strategy, and information about the grouping is provided internally on that basis.

"Available-for-sale investments"

This category comprises financial assets, which are non-derivatives that are either designated as available-for-sale or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They include both listed and unlisted investments.

"Loans and receivables"

This category includes trade and other receivables, bank deposits, cash and cash equivalents, loans and advances to consumer finance customers and amounts due from related parties. They arise when the Group provides money, goods or services directly to clients or brokers with no intention of trading the receivables.

(ii) Recognition and initial measurement

Purchases and sales of investments are recognised on trade date, which is the date that the Group enters into a contract to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in profit or loss. Financial assets which are not financial assets at fair value through profit or loss are initially recognised at fair value plus transaction costs.

(iii) Subsequent measurement

"Financial assets at fair value through profit or loss"

Investments under this category are subsequently re-measured to fair value at the end of the reporting period until the assets are derecognised. Unrealised gains and losses arising from changes in the fair value are included in profit or loss in the period in which they occur.

"Available-for-sale investments"

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the revaluation reserve.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets *(continued)*

(iii) Subsequent measurement (continued)

"Loans and receivables"

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(v) Fair value measurement principles

Fair values of quoted investments are based on quoted prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using appropriate valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and option pricing models.

(vi) Impairment

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

Each receivable that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and receivables that are individually not significant and are assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis.

Individual impairment allowance applies to securities margin financing and term loans which are individually significant or have objective evidence of impairment. In assessing the individual impairment, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits and the impairment allowance is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Investments/financial assets *(continued)*

(vi) Impairment (continued)

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term time deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(m) Financial liabilities

Financial liabilities for trading purposes are generally classified as "financial liabilities at fair value through profit or loss" which are recognised initially at fair value. A financial liability other than held for trading purpose may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire contract to be designated as at fair value through profit or loss. At the end of each reporting period, subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities including bank and other borrowings, bonds and notes, trade and other payables and amounts due to related parties, which are recognised initially at fair value, are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(n) Share capital

Ordinary shares of the Company are classified as equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Dividend distribution to the Company's owners is recognised as a liability in the period in which the dividends are approved by the Directors or shareholders as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Share capital *(continued)*

Where the shares of the Company ("Awarded Shares") are purchased under the SHK Employee Ownership Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Employee Ownership Scheme" and deducted from equity. When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares are eliminated against the employee share-based compensation reserve and the remaining balances will be transferred to retained earnings.

Other equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Derivatives that are settled by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments are classified as equity.

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(p) Impairment of non-financial assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortisation, and are tested at least annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units) if an impairment test cannot be performed for an individual asset. An impairment loss is recognised immediately as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Taxation

Taxation comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in equity, in which case the current and deferred tax is also dealt with in equity.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

(r) Foreign currencies

Transactions in currencies other than the functional currency of the respective group entities (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses arising on the settlement of monetary items, and on the retranslation of monetary items, are included in net profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's foreign operations are translated to Hong Kong dollars at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Borrowing costs

Interest expenses directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are recognised on a time apportionment basis, taking into account the principal and the effective interest rates. They are charged to profit or loss in the year in which they are incurred.

(t) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

"The Group as lessor"

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

"The Group as lessee"

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(u) Employee benefits

The Group operates defined contribution retirement schemes, the assets of which are held in independently administrated funds. The Group's contributions to the defined contribution retirement schemes are expensed as the employees have rendered their services entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the schemes prior to vesting fully in the contributions.

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

The Group recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

For the Awarded Shares granted under the SHK Employee Ownership Scheme, the fair value of the employee services received is determined by reference to the fair value of Awarded Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Awarded Shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the employee share-based compensation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax. Income is recognised in profit or loss on the following basis:

(i) Brokerage commission income is recognised as income on a trade date basis.

(ii) Underwriting commission, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms and conditions of the relevant agreement or deal mandate when the relevant significant acts have been completed.

(iii) Fees for management and advisory services for funds are recognised when the related services are rendered.

(iv) Income from the provision of services is recognised upon the provision of the relevant services or on a time apportionment basis over the terms of service contracts.

(v) Interest income from financial assets is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the effective interest applicable, which is the rate that discounts the estimated future cash flows through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(vi) Dividend income from investments is recognised when the owners' right to receive payment has been established.

(vii) Realised profits or losses from financial assets at fair value through profit or loss are recognised on a trade date basis whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

(viii) Rental income arising on investment properties is accounted for on a straight-line basis over the lease term regardless of when the cash rental payment is received.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out as follows.

(a) Impairment allowances on loans and receivables

In determining individual impairment allowances, the Group periodically reviews its trade receivables, term loans and margin loans to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group.

(b) Impairment allowances on loans and advances to consumer finance customers

The policy for collective impairment allowances for loans and advances to consumer finance customers of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness, and the past collection history of each loan.

(c) Impairment of available-for-sale investments

For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

(d) Estimated impairment of goodwill and intangible assets with indefinite useful lives

The Group conducts tests for impairment of goodwill and intangible assets with indefinite useful lives annually in accordance with the relevant accounting standards. Determining whether the goodwill and the intangible assets are impaired requires an estimation of the fair value less cost to sell or value in use on the basis of data available to the Group. Where future cash flows are less than expected, an impairment loss may arise.

(e) Deferred tax

Estimating the amount for recognition of deferred tax assets arising from tax losses requires a process that involves forecasting future years' taxable income and assessing the Group's ability to utilise tax benefits through future earnings. Where the actual future profits generated are more or less than expected, a recognition or reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place. While the current financial models indicate that the recognised tax losses can be utilised in the future, any changes in assumptions, estimates and tax regulations can affect the recoverability of this deferred tax asset.

(f) Fair value of derivative and financial instruments

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Note 26 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

5. REVENUE

	2013 **HK$ Million**	2012 HK$ Million
Brokerage, commission and service income	**741.8**	594.6
Dividends from listed investments	**5.6**	6.9
Dividends from unlisted investments	**3.8**	9.5
Gross rental income from investment properties	**20.6**	18.7
Interest income	**3,786.6**	3,074.1
Fees received from funds management	**15.7**	17.7
Net charges on gold positions	**1.4**	1.9
	4,575.5	3,723.4

During the year, the interest income that was derived from financial assets not at fair value through profit or loss amounted to HK$3,760.6 million (2012: HK$3,069.8 million).

6. SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Inter-segment sales are charged at prevailing market rates.

The main reportable and operating segments presented in these financial statements are as follows:

(a) Wealth Management and Brokerage:

— provision of financial planning and wealth management services;

— provision of broking services and insurance broking;

— provision of online financial services and online financial information;

— provision of securities margin financing;

— dealing in securities, funds, bullion, commodities, futures and options; and

— provision of asset management including funds marketing and management.

(b) Capital Markets: provision of corporate finance services and structured finance.

(c) Consumer Finance: provision of consumer financing.

(d) Principal Investments: strategic investments, properties holding and rental.

6. SEGMENT INFORMATION *(CONTINUED)*

	2013				
	Wealth Management and Brokerage HK$ Million	Capital Markets HK$ Million	Consumer Finance HK$ Million	Principal Investments HK$ Million	Total HK$ Million
Brokerage commission revenue	563.5	49.4	—	3.2	616.1
Non brokerage commission revenue	359.5	415.0	3,136.8	322.8	4,234.1
Segment revenue	923.0	464.4	3,136.8	326.0	4,850.2
Less: inter-segment revenue	(2.9)	—	—	(271.8)	(274.7)
Segment revenue from external customers	920.1	464.4	3,136.8	54.2	4,575.5
Segment profit or loss	192.1	163.2	1,223.5	122.8	1,701.6
Share of results of associates	—	—	—	11.8	11.8
Share of results of joint ventures	3.6	—	—	3.2	6.8
Profit before taxation	195.7	163.2	1,223.5	137.8	1,720.2
Included in segment profit or loss:					
Interest income	277.7	366.6	3,121.1	21.2	3,786.6
Other income	2.0	4.1	5.0	92.7	103.8
Net profit on financial assets and liabilities	25.0	21.5	—	32.8	79.3
Net exchange loss	(2.8)	(25.4)	(30.1)	(17.5)	(75.8)
Bad and doubtful debts	(26.2)	3.6	(567.3)	—	(589.9)
Amortisation and depreciation	(10.0)	(1.5)	(32.3)	(52.8)	(96.6)
Written back of impairment loss					
— Interest in associates	—	—	—	1.0	1.0
— Amounts due from associates	—	—	—	14.2	14.2
Impairment loss on available-for-sale investments	—	—	—	(10.0)	(10.0)
Net profit (loss) on disposal/write-off of equipment and intangible assets	(0.3)	—	(0.1)	0.5	0.1
Finance costs	(68.8)	(171.1)	(218.2)	(181.1)	(639.2)
Less: inter-segment finance costs	62.1	164.6	9.8	2.2	238.7
Finance costs to external suppliers	(6.7)	(6.5)	(208.4)	(178.9)	(400.5)

6. SEGMENT INFORMATION *(CONTINUED)*

	2012				
	Wealth Management and Brokerage HK$ Million	Capital Markets HK$ Million	Consumer Finance HK$ Million	Principal Investments HK$ Million	Total HK$ Million
Brokerage commission revenue	469.4	23.5	—	1.5	494.4
Non brokerage commission revenue	376.3	211.8	2,581.6	149.2	3,318.9
Segment revenue	845.7	235.3	2,581.6	150.7	3,813.3
Less: inter-segment revenue	(6.2)	—	—	(83.7)	(89.9)
Segment revenue from external customers	839.5	235.3	2,581.6	67.0	3,723.4
Segment profit or loss	107.6	142.8	1,147.5	290.2	1,688.1
Share of results of associates	—	—	—	10.9	10.9
Share of results of joint ventures	3.8	—	—	(2.5)	1.3
Profit before taxation	111.4	142.8	1,147.5	298.6	1,700.3
Included in segment profit or loss:					
Interest income	296.1	181.5	2,568.5	28.0	3,074.1
Other income	2.5	0.1	11.3	170.6	184.5
Net profit on financial assets and liabilities	25.2	82.6	—	63.7	171.5
Net exchange gain (loss)	1.1	(1.3)	(8.5)	12.4	3.7
Bad and doubtful debts	(66.6)	(76.3)	(350.8)	(10.0)	(503.7)
Amortisation and depreciation	(12.3)	(0.6)	(40.0)	(47.2)	(100.1)
Impairment loss					
— Intangible assets	—	—	(1.6)	(2.1)	(3.7)
— Available-for-sale investments	—	—	(8.8)	(0.7)	(9.5)
— Amounts due from associates	—	—	—	(1.1)	(1.1)
Net loss on disposal/write-off of equipment and intangible assets	—	—	—	(0.1)	(0.1)
Finance costs	(50.4)	(20.3)	(148.8)	(54.4)	(273.9)
Less: inter-segment finance costs	41.9	20.3	5.6	5.3	73.1
Finance costs to external suppliers	(8.5)	—	(143.2)	(49.1)	(200.8)

6. SEGMENT INFORMATION *(CONTINUED)*

The geographical information of revenue and non-current assets are disclosed as follows:

	2013 **HK$ Million**	2012 HK$ Million
Revenue from external customers by location of operations		
— Hong Kong	**3,166.1**	2,770.3
— Mainland China	**1,329.7**	942.3
— Others	**79.7**	10.8
	4,575.5	3,723.4

	31/12/2013 **HK$ Million**	31/12/2012 HK$ Million
Non-current assets other than financial assets and deferred tax assets by location of assets		
— Hong Kong	**4,169.3**	4,157.8
— Mainland China	**408.3**	283.7
— Others	**2.3**	2.0
	4,579.9	4,443.5

7. OTHER INCOME

	2013 **HK$ Million**	2012 HK$ Million
Net realised profit on disposal of investments		
— Liquidation of subsidiaries	**—**	3.8
— Disposal of associates	**30.1**	0.3
— Disposal of a joint venture	**0.5**	—
— Disposal of available-for-sale investments	**0.6**	96.4
Net profit on disposal of equipment	**0.1**	—
Increase in fair value of investment properties	**46.5**	45.6
Written back of impairment loss for amounts due from associates	**14.2**	—
Written back of impairment loss for interest in associates	**1.0**	—
Gain on repurchase of notes	**—**	3.8
Miscellaneous income	**10.8**	34.6
	103.8	184.5

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

	2013					
	Director's fees HK$ Million	Consultancy fees HK$ Million	Salaries, housing and other allowances and benefits in kind HK$ Million	Discretionary bonuses HK$ Million	Contributions to retirement benefit scheme HK$ Million	Total HK$ Million
David Craig Bartlett	0.01	0.19	—	—	—	0.20
Peter Anthony Curry[4]	0.02[1]	—	2.55	0.95[7]	0.13	3.65
Goh Joo Chuan	0.01	—	—	—	—	0.01
Ho Chi Kit	—	—	—	—	—	—
Alan Stephen Jones	0.01	0.25	—	—	—	0.26
Roy Kuan	—	—	—	—	—	—
Lee Seng Huang	0.01	—	6.99	5.00	0.24	12.24
Leung Pak To	—	—	—	—	—	—
William Leung Wing Cheung[5]	0.02[2]	—	4.12	1.87[8]	0.20	6.21
Liu Zheng	—	—	—	—	—	—
Carlisle Caldow Procter	0.01	0.19	—	—	—	0.20
Joseph Tong Tang[6]	0.02[3]	—	2.53	0.70[9]	0.13	3.38
Peter Wong Man Kong	0.01	0.19	—	—	—	0.20
	0.12	0.82	16.19	8.52	0.70	26.35

1 Including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited (2012: HK$0.01 million).
2 Including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited (2012: HK$0.01 million).
3 Including Director's fee of HK$0.01 million for Sun Hung Kai Financial Limited (2012: HK$0.01 million).
4 In March 2014, Awarded Shares with fair value at grant date of HK$0.41 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2013. In addition, 153,000 shares were vested during 2013.
5 In March 2014, Awarded Shares with fair value at grant date of HK$1.53 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2013.
6 In March 2014, Awarded Shares with fair value at grant date of HK$0.30 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2013. In addition, 180,000 shares were vested during 2013.
7 The amount represents an actual cash bonus of HK$0.95 million for the year 2013 (2012: HK$1.05 million).
8 The amount represents an actual cash bonus of HK$1.87 million for the year 2013 (2012: HK$1.79 million).
9 The amount represents an actual cash bonus of HK$0.70 million for the year 2013 (2012: HK$0.40 million).

Bonuses, which are recommended by the remuneration committee and subsequently approved by the Board, are discretionary and are determined by reference to the Group's and the individuals' performance.

For the year ended 31 December 2013, Mr. Ho Chi Kit, Mr. Roy Kuan and Mr. Leung Pak To waived emolument of HK$0.01 million each.

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES *(CONTINUED)*

(a) Directors *(continued)*

	2012					
	Director's fees HK$ Million	Consultancy fees HK$ Million	Salaries, housing and other allowances and benefits in kind HK$ Million	Discretionary bonuses HK$ Million	Contributions to retirement benefit scheme HK$ Million	Total HK$ Million
David Craig Bartlett	0.01	0.19	—	—	—	0.20
Peter Anthony Curry[1]	0.02	—	2.50	1.05	0.12	3.69
Goh Joo Chuan	0.01	—	—	—	—	0.01
Ho Chi Kit	—	—	—	—	—	—
Alan Stephen Jones	0.01	0.25	—	—	—	0.26
Roy Kuan	—	—	—	—	—	—
Lee Seng Huang	0.01	—	6.63	5.00	0.23	11.87
Leung Pak To	—	—	—	—	—	—
William Leung Wing Cheung[2]	0.02	—	4.03	1.79	0.20	6.04
Ming Cheng	—	—	—	—	—	—
Carlisle Caldow Procter	0.01	0.19	—	—	—	0.20
Joseph Tong Tang[3]	0.02	—	2.49	0.40	0.12	3.03
Peter Wong Man Kong	0.01	0.19	—	—	—	0.20
	0.12	0.82	15.65	8.24	0.67	25.50

1 In March 2013, Awarded Shares with fair value at grant date of HK$0.7 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2012. In addition, 39,000 shares were vested during 2012.

2 In March 2013, Awarded Shares with fair value at grant date of HK$1.46 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2012.

3 In March 2013, Awarded Shares with fair value at grant date of HK$0.1 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2012. In addition, 102,000 shares were vested during 2012.

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES *(CONTINUED)*

(b) Highest paid individuals

The five highest paid individuals of the Group include four Directors (2012: three Directors) of the Company. The emoluments of the remaining one (2012: two) highest paid individuals are analysed below:

	2013 HK$ Million	2012 HK$ Million
Salaries, housing and other allowances, and benefits in kind	**11.7**	12.9
Bonuses	**22.1**	35.7
Contributions to retirement benefit scheme	**0.5**	0.6
	34.3	49.2

The above emoluments of the highest paid individuals were within the following bands:

Emoluments band (HK$)	**Number of employees**	
	2013	2012
$2,500,001 — $3,000,000	**—**	1
$34,000,001 — $34,500,000	**1**	—
$46,000,001 — $46,500,000	**—**	1

(c) Senior Management

The emoluments of senior management (as described in Profiles of Directors and Senior Management section) were within the following bands:

Emoluments band (HK$)	**Number of employees**	
	2013	2012
$2,000,001 — $2,500,000	**1**	1
$2,500,001 — $3,000,000	**—**	1
$3,000,001 — $3,500,000	**1**	1
$34,000,001 — $34,500,000	**1**	—
$46,000,001 — $46,500,000	**—**	1

During the year, 156,000 shares were granted under the SHK Employee Ownership Scheme to senior management. In addition, a total amount of HK$1.63 million representing 300,000 shares were vested for senior management during the year. The total dividend payments paid to senior management during the year is HK$0.26 million.

9. EMPLOYEE BENEFITS

(a) Retirement Benefit Scheme

The principal retirement benefit schemes operated by the Group related to defined contribution schemes for the Hong Kong and overseas offices' qualifying employees.

The amount of forfeited contributions utilised in the course of the year ended 31 December 2013 was HK$1.3 million (2012: HK$1.1 million).

(b) SHK Employee Ownership Scheme ("EOS")

Under the EOS, which was formally adopted on 18 December 2007, selected employees or directors of the Group (the "Selected Grantees") were awarded shares in the Company. Following a recommendation from the management, shares were granted to the Selected Grantees subject to various terms including, but not limited to, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods.

During the year, 2.0 million shares (2012: 2.4 million shares) of the Company were awarded to Selected Grantees under the EOS. The fair value of the services rendered (by reference to the market value of the awarded shares at grant dates) as consideration of the shares awarded during the year was HK$10.8 million (2012: HK$10.3 million) which will be amortised to profit or loss during the vesting period. The amount expensed during the year was HK$9.5 million (2012: HK$7.5 million).

10. PROFIT BEFORE TAXATION

	2013 HK$ Million	2012 HK$ Million
Profit before taxation for the year has been arrived at after charging:		
Administrative expenses*	**(1,470.4)**	(1,290.9)
Amortisation of leasehold interests in land	**(0.3)**	(0.4)
Amortisation of intangible assets acquired in business combination included in direct cost and operating expenses	**(6.3)**	(14.6)
Commission expenses and sales incentives to investment consultants and certain staff included in brokerage and commission expenses	**(136.4)**	(100.8)
Outgoings in respect of rental generating investment properties	**(1.2)**	(0.7)
Net loss on disposal/written off of equipment and intangible assets included in other expenses	**—**	(0.1)
Impairment loss included in other expenses		
— Intangible assets	**—**	(3.7)
— Available-for-sale investments	**(10.0)**	(9.5)
— Amounts due from associates	**—**	(1.1)
Loss on liquidation of subsidiaries#	**(31.6)**	—
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**(1.9)**	(2.1)
* Analysis of administrative expenses:		
Staff costs (including Directors' emoluments)	**(821.4)**	(707.6)
Contributions to retirement benefit schemes	**(82.6)**	(60.4)
Expenses recognised for the SHK Employee Ownership Scheme	**(9.5)**	(7.5)
Total staff costs	**(913.5)**	(775.5)
Auditors' remuneration	**(7.0)**	(6.1)
Depreciation of property and equipment	**(58.9)**	(55.5)
Amortisation of intangible assets — computer software	**(31.1)**	(29.6)
Operating lease rentals		
— Premises	**(190.0)**	(159.3)
— Equipment	**(12.6)**	(13.4)
Other administrative expenses	**(257.3)**	(251.5)
	(1,470.4)	(1,290.9)

The losses were mainly derived from the liquidation of a subsidiary in the Philippines that ceased operations many years ago.

11. NET PROFIT ON FINANCIAL ASSETS AND LIABILITIES

The following is an analysis of the net profit on financial assets and liabilities at fair value through profit or loss:

	2013 HK$ Million	2012 HK$ Million
Net realised and unrealised profit (loss) on derivatives	**17.8**	(12.2)
Net profit on other dealing activities	**1.1**	1.3
Net realised and unrealised profit (loss) on trading in equity securities	**(25.5)**	154.7
Net realised and unrealised profit on trading in bonds and notes	**1.4**	5.3
Net realised and unrealised profit on financial assets and liabilities designated as at fair value through profit or loss	**84.5**	22.4
	79.3	171.5

12. BAD AND DOUBTFUL DEBTS

	2013 HK$ Million	2012 HK$ Million
Loans and advances to consumer finance customers		
— Impairment loss	**(567.3)**	(350.8)
Trade and other receivables		
— Reversal of impairment loss	**10.0**	—
— Impairment loss	**(32.2)**	(152.9)
— Bad debts written off	**(0.4)**	—
	(22.6)	(152.9)
Bad and doubtful debts recognised in profit or loss	**(589.9)**	(503.7)

The following is the amounts written off in allowance of impairment against the receivables and recoveries credited to allowance of impairment during the year:

	2013 HK$ Million	2012 HK$ Million
Loans and advances to consumer finance customers		
— Amounts written off in allowance of impairment	**(519.3)**	(366.7)
— Recoveries credited to allowance of impairment	**87.5**	69.1
Trade and other receivables		
— Amounts written off in allowance of impairment	**(137.0)**	(0.3)

13. FINANCE COSTS

	2013 **HK$ Million**	2012 HK$ Million
Interest on the following liabilities wholly repayable within five years		
— Bank loans and overdrafts	**(155.3)**	(109.6)
— Bonds and notes	**(229.5)**	(68.8)
— Preference shares issued to non-controlling interests	**(0.6)**	—
— Short-term loans included in amounts due to fellow subsidiaries	**—**	(12.0)
— Other borrowings	**(3.6)**	(4.5)
	(389.0)	(194.9)
Other borrowing costs	**(11.5)**	(5.9)
	(400.5)	(200.8)

During the year, the finance costs that were derived from financial liabilities not at fair value through profit or loss amounted to HK$394.0 million (2012: HK$200.8 million).

14. TAXATION

	2013 **HK$ Million**	2012 HK$ Million
Current tax		
— Hong Kong	**(207.3)**	(196.2)
— PRC and other jurisdictions	**(153.2)**	(92.5)
	(360.5)	(288.7)
Over provision in prior years	**2.3**	5.1
	(358.2)	(283.6)
Deferred tax (Note 27)	**97.9**	7.6
	(260.3)	(276.0)

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2012: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

14. TAXATION *(CONTINUED)*

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2013 HK$ Million	2012 HK$ Million
Profit before taxation	**1,720.2**	1,700.3
Less: Share of results of associates	**(11.8)**	(10.9)
Share of results of joint ventures	**(6.8)**	(1.3)
	1,701.6	1,688.1
Tax at the Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**(280.8)**	(278.5)
Over provision in prior years	**2.3**	5.1
Tax effect of non-taxable income	**26.7**	45.7
Tax effect of non-deductible expenses	**(26.6)**	(26.9)
Tax effect of unrecognised deductible temporary difference and tax losses	**59.7**	9.5
Countries subject to different tax rates	**(41.6)**	(30.9)
	(260.3)	(276.0)

There was no deferred tax recognised in other comprehensive income during the year (2012: Nil).

15. DIVIDENDS

	2013 HK$ Million	2012 HK$ Million
The aggregate amount of dividends paid and proposed:		
— 2013 interim dividend paid of HK10 cents (2012: HK10 cents) per share	**212.7**	213.1
— 2013 final dividend of HK12 cents (2012: HK12 cents) per share proposed after the end of the reporting period	**254.7**	255.3
	467.4	468.4
Dividends recognised as distribution during the year:		
— 2012 final dividend of HK12 cents (2011: HK10 cents) per share	**255.3**	209.8
— 2013 interim dividend paid of HK10 cents (2012: HK10 cents) per share	**212.7**	213.1
	468.0	422.9

The 2013 final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	2013 HK$ Million	2012 HK$ Million
Earnings		
Earnings for the purpose of basic earnings per share and diluted earnings per share (profit for the year attributable to owners of the Company)	1,051.6	1,036.4

	2013 Million Shares	2012 Million Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,127.7	2,120.1
Effect of dilutive potential ordinary shares:		
— Shares held for the SHK Employee Ownership Scheme	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,127.7	2,120.1

17. INVESTMENT PROPERTIES

	Group		
	Hong Kong HK$ Million	PRC HK$ Million	Total HK$ Million
At 1 January 2012	589.0	125.0	714.0
Exchange adjustments	—	1.3	1.3
Increase in fair value recognised in profit or loss	41.0	4.6	45.6
At 31 December 2012	630.0	130.9	760.9
Exchange adjustments	—	3.9	3.9
Increase in fair value recognised in profit or loss	40.0	6.5	46.5
At 31 December 2013	670.0	141.3	811.3
Unrealised gains or losses for the year included in profit or loss			
— For 2013	40.0	6.5	46.5
— For 2012	41.0	4.6	45.6

17. INVESTMENT PROPERTIES *(CONTINUED)*

All the investment properties were medium-term leases properties at both reporting dates.

The fair value of the Group's investment properties at the reporting date have been arrived on the basis of a valuation carried out by Norton Appraisals Limited, an independent qualified professional valuer, not connected with the Group. The fair value was grouped under Level 3. The Group considers that the current use of the properties is to be the highest and best use. The following table provides further information regarding the valuation.

	Valuation technique	Unobservable inputs	Input values
Hong Kong	Investment method	Term yield	2.75%
		Reversionary yield	3.25%
		Monthly market unit rent per gross floor area (sq. ft.)	HK$53 to HK$66
PRC	Investment method	Term yield	4.25% to 4.75%
		Reversionary yield	4.75% to 5%
		Monthly market unit rent per gross floor area (sq. m.)	RMB132 to RMB219

The increase in term yield and reversionary yield would result in a decrease in fair value of the investment properties while the increase in market unit rent would result in an increase in fair value of the investment properties. The Group believes that possible changes in the input values would not cause significant change in fair value of the investment properties. There was no change in the valuation technique during the year.

Particulars of the investment properties at 31 December 2013 were:

Location	Classification	Term of lease
11/F, Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	Commercial	2044
Room 1901, 19/F, Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	Commercial	2044
2001 in Eastern Block and 2002 in Western Block, Phase II, Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	Industrial	2052
2201, 2201A and 2202, 22/F, Tower I, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
8/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
11/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053

At the end of the reporting period, investment properties with a total carrying value of HK$758.0 million (31/12/2012: HK$478.0 million) were pledged as security for the Group's banking facilities.

18. LEASEHOLD INTERESTS IN LAND

	Group	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Leasehold land outside Hong Kong		
— Medium-term lease	**10.1**	10.0
— Short-term lease	**—**	0.1
	10.1	10.1
Analysed for reporting purposes as:		
— Non-current assets	**9.8**	9.8
— Current assets (Note 31)	**0.3**	0.3
	10.1	10.1

The remaining term of the leases ranged from 10 to 39 years.

19. PROPERTY AND EQUIPMENT

	Group		
	Property HK$ Million	**Furniture and equipment** HK$ Million	**Total** HK$ Million
Cost			
At 1 January 2012	93.8	312.2	406.0
Exchange adjustments	0.9	1.0	1.9
Additions	22.3	51.7	74.0
Disposals/written off	—	(2.1)	(2.1)
At 31 December 2012	117.0	362.8	479.8
Exchange adjustments	3.6	3.7	7.3
Additions	44.1	54.6	98.7
Disposals/written off	—	(7.2)	(7.2)
At 31 December 2013	164.7	413.9	578.6
Accumulated depreciation and impairment			
At 1 January 2012	14.1	171.3	185.4
Exchange adjustments	—	0.4	0.4
Depreciation provided for the year	2.6	52.9	55.5
Eliminated on disposals/written off	—	(2.0)	(2.0)
At 31 December 2012	16.7	222.6	239.3
Exchange adjustments	0.2	1.9	2.1
Depreciation provided for the year	2.9	56.0	58.9
Eliminated on disposals/written off	—	(6.8)	(6.8)
At 31 December 2013	19.8	273.7	293.5
Carrying amount at 31 December 2013	144.9	140.2	285.1
Carrying amount at 31 December 2012	100.3	140.2	240.5

Analysis of the carrying amount of the properties:

	Group	
	31/12/2013 **HK$ Million**	31/12/2012 HK$ Million
Medium-term lease in Hong Kong	**9.7**	9.9
Medium-term lease outside Hong Kong	**135.2**	90.3
Short-term lease outside Hong Kong	**—**	0.1
	144.9	100.3

The useful lives of the properties are same as the remaining term of the leases that are ranging from 10 to 39 years.

20. INTANGIBLE ASSETS

	Group							
		Exchange	Computer software					
	Club	participation		Internally	Trade	Customer	Web	
	membership	rights	Acquired	developed	mark	relationship	domain	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Cost								
At 1 January 2012	5.0	2.6	114.7	61.3	875.0	1,154.0	78.0	2,290.6
Additions	—	—	5.9	19.9	—	—	—	25.8
Disposals/written off	—	—	(0.1)	—	—	—	—	(0.1)
At 31 December 2012	5.0	2.6	120.5	81.2	875.0	1,154.0	78.0	2,316.3
Additions	—	—	6.3	15.6	—	—	—	21.9
At 31 December 2013	5.0	2.6	126.8	96.8	875.0	1,154.0	78.0	2,338.2
Accumulated amortisation and impairment								
At 1 January 2012	1.2	1.1	56.3	8.7	7.0	1,146.2	46.6	1,267.1
Amortisation charged for the year	—	—	18.8	10.8	—	7.8	6.8	44.2
Impairment	—	—	1.0	1.1	—	—	1.6	3.7
Eliminated on disposals/written off	—	—	(0.1)	—	—	—	—	(0.1)
At 31 December 2012	1.2	1.1	76.0	20.6	7.0	1,154.0	55.0	1,314.9
Amortisation charged for the year	—	—	17.0	14.1	—	—	6.3	37.4
At 31 December 2013	1.2	1.1	93.0	34.7	7.0	1,154.0	61.3	1,352.3
Carrying amount at 31 December 2013	3.8	1.5	33.8	62.1	868.0	—	16.7	985.9
Carrying amount at 31 December 2012	3.8	1.5	44.5	60.6	868.0	—	23.0	1,001.4

Other than the club membership, exchange participation rights and the trade mark, which have indefinite useful lives, the intangible assets are amortised on a straight-line basis over the following periods:

Acquired computer software	3 — 5 years
Internally developed computer software	5 — 10 years
Customer relationship	5.4 years
Web domain	10 years

21. GOODWILL

	Group	
	2013 **HK$ Million**	2012 HK$ Million
Cost		
At 1 January and 31 December	**2,384.0**	2,384.0

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2013 were allocated as follows:

	Goodwill		Trade Mark	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million	**31/12/2013 HK$ Million**	31/12/2012 HK$ Million
United Asia Finance Limited ("UAF") in "Consumer Finance" segment	**2,384.0**	2,384.0	**868.0**	868.0

The recoverable amount of UAF, a cash-generating unit, represents the value in use at 31 December 2013 based on a business valuation report on the UAF group prepared by an independent qualified professional valuer, Norton Appraisals Limited. The valuation used the discounted cash flow approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data) including an average growth rate of 13.6% from 2014 to 2018 (2012: 12.5% from 2013 to 2017), a sustainable growth rate of 2.85% beyond 2018 (2012: 3.0% beyond 2017), and a discount rate of 13.8% (2012: 14.1%). The recoverable amount of UAF was determined to be in excess of its net carrying amount.

The management believes that possible changes in any of the above assumptions would not cause the carrying amount of UAF to exceed its recoverable amount.

23. INTEREST IN SUBSIDIARIES

The following tables provide further information of subsidiaries that have material non-controlling interests.

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2013 HK$ Million	2012 HK$ Million	**31/12/2013 HK$ Million**	31/12/2012 HK$ Million
United Asia Finance Limited	**407.8**	386.6	**3,211.8**	2,902.3
上海浦東新區亞聯財小額貸款有限公司	**(1.9)**	(0.5)	**129.8**	124.5
北京亞聯財小額貸款有限公司	**1.5**	0.8	**74.5**	74.2
Other subsidiaries having non-controlling interests	**0.9**	1.0	**1.1**	1.3
	408.3	387.9	**3,417.2**	3,102.3

	United Asia Finance Limited		上海浦東新區亞聯財小額貸款有限公司		北京亞聯財小額貸款有限公司	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million	**31/12/2013 HK$ Million**	31/12/2012 HK$ Million	**31/12/2013 HK$ Million**	31/12/2012 HK$ Million
Current assets	**3,622.5***	4,035.7*	**237.4**	247.2	**647.1**	616.2
Non-current assets	**6,750.1#**	6,217.4#	**16.0**	0.6	**9.0**	10.5
Current liabilities	**(2,273.3)**	(3,734.8)	**(5.3)**	(0.6)	**(7.4)**	(4.2)
Non-current liabilities	**(2,519.7)**	(1,180.0)	**—**	—	**—**	—

	2013 HK$ Million	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million
Dividend paid to non-controlling interests	**158.8**	109.3	**—**	—	**—**	—
Revenue	**1,635.8**	1,538.6	**29.8**	—	**62.7**	35.0
Profit for the year	**621.1**	679.5	**(6.3)**	(1.5)	**7.6**	4.0
Other comprehensive income for the year	**—**	—	**7.3**	(0.2)	**18.7**	5.9
Net change in cash and cash equivalents during the year	**(530.1)**	747.6	**(196.3)**	242.2	**(266.5)**	247.9

* Including loans and advances to consumer finance customers of HK$2,673.5 million (31/12/2012: HK$2,429.0 million)

\# Including loans and advances to consumer finance customers of HK$2,102.2 million (31/12/2012: HK$2,154.0 million) and interest in subsidiaries of HK$4,561.3 million (31/12/2012: HK$3,986.4 million)

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

The analysis of the Company's interest in subsidiaries is as follows:

	Company	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Unlisted shares, at cost	**4,038.1**	4,067.3
Less: impairment	**(56.5)**	(56.3)
	3,981.6	4,011.0

Particulars of the Company's principal subsidiaries at 31 December 2013 and 2012 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2013	2012	Principal activities
Boneast Assets Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
Dynamic Force Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
First Asian Holdings Limited	Hong Kong	HK$2	**58%**	58%	Asset holding
Hing Yip Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Property investment
Itso Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and provision of loan finance
Lexshan Nominees Limited	Hong Kong	HK$2	**100%**	100%	Nominee services
Oakfame Investment Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Onspeed Investments Limited	British Virgin Islands	US$1	**58%**	58%	Investment holding
Plentiwind Limited	Hong Kong	HK$2	**100%**	100%	Investment holding and trading
Scienter Investments Limited	Hong Kong	HK$20	**100%**	100%	Investment holding and provision of loan finance
Shipshape Investments Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
SHK Absolute Return Managers Ltd	Cayman Islands	US$10	**100%**	100%	Investment holding
SHK Alpha Managers Ltd.	Cayman Islands	US$10	**100%**	100%	Funds management
SHK Alternative Managers Limited	Cayman Islands	US$1	**100%**	100%	Funds management
SHK Asset Management Holding Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
SHK Capital Management Ltd*	Cayman Islands	US$10	**100%**	100%	Investment holding
SHK Dynamic Managers Ltd.	Cayman Islands	US$10	**100%**	100%	Funds management
SHK Finance Limited	Hong Kong	HK$150,000,000	**58%**	58%	Money lending
SHK Financial Data Limited	Hong Kong	HK$100	**51%**	51%	Financial information services
SHK Fund Management Limited	Hong Kong	HK$106,000,000	**100%**	100%	Funds marketing, investment advising and asset management
SHK Global Managers Limited	British Virgin Islands	US$5,000	**100%**	100%	Funds management
SHK Income Fund Manager	Cayman Islands	US$100	**100%**	100%	Investment holding

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2013	2012	Principal activities
SHK Investment Services Limited	Hong Kong	HK$1,000,000	**100%**	100%	Asset holding and leasing
SHK Online (Securities) Limited	Hong Kong	HK$40,000,000	**100%**	100%	Online securities broking and margin financing
SHK Pearl River Delta Investment Company Limited	Hong Kong	HK$75,000,000	**100%**	100%	Investment holding
SHK Private Equity Managers Ltd.	Cayman Islands	US$10	**100%**	100%	Funds management and investment holding
SHK Private Limited	Hong Kong	HK$100,000	**100%**	100%	Business marketing and promotion
SHK Quant Managers Ltd	Cayman Islands	US$10	**100%**	100%	Funds management
SHK Securities Limited	Hong Kong	HK$20	**100%**	100%	Asset holding
SHK Solutions Limited (formerly: SHK Securities (Nominees) Limited)	Hong Kong	HK$2	**100%**	100%	Investment holding
Shun Loong Forex Company Limited	Hong Kong	HK$32,000,000	**100%**	100%	Leveraged foreign exchange dealing and broking
Shun Loong Futures Limited	Hong Kong	HK$15,000,000	**100%**	100%	Futures and options dealing
Shun Loong Holdings Limited	Hong Kong	HK$200,000,000	**100%**	100%	Investment holding
Shun Loong Securities Company Limited	Hong Kong	HK$50,000,000	**100%**	100%	Securities broking and share margin financing
Sing Hing Investment Limited	British Virgin Islands	US$1	**100%**	100%	Property investment
Sun Hing Bullion Company Limited	Hong Kong	HK$5,000,000	**100%**	100%	Bullion trading
Sun Hung Kai (China) Investment Management Company Limited	People's Republic of China	RMB50,000,000	**100%**	100%	Corporate marketing and investment consultancy
Sun Hung Kai (Nominees) Limited	Hong Kong	HK$200	**100%**	100%	Nominee services
Sun Hung Kai & Co. (BVI) Limited*	British Virgin Islands	US$1	**100%**	100%	Financing
Sun Hung Kai Bullion Company Limited	Hong Kong	HK$30,000,000	**100%**	100%	Bullion trading and investment holding
Sun Hung Kai Commodities Limited	Hong Kong	HK$80,000,600	**100%**	100%	Commodities broking
Sun Hung Kai Financial Group Limited*	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Sun Hung Kai Financial Limited	Hong Kong	HK$124,898,589	**100%**	100%	Investment holding
Sun Hung Kai Insurance Consultants Limited	Hong Kong	HK$21,000,000	**100%**	100%	Insurance broking and consultancy services
Sun Hung Kai International Bank [Brunei] Limited	Brunei Darussalam	SGD10,000,000	**100%**	100%	International banking business
Sun Hung Kai International Commodities Limited	Hong Kong	HK$25,000,000	**100%**	100%	Securities, futures and options trading
Sun Hung Kai International Limited	Hong Kong	HK$10,000,000	**100%**	100%	Corporate finance services
Sun Hung Kai Investment Services (Macau) Limited	Macau	MOP48,900,000	**100%**	100%	Property holding
Sun Hung Kai Investment Services Limited	Hong Kong	HK$650,000,000	**100%**	100%	Investment holding, share broking and margin financing

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2013	2012	Principal activities
Sun Hung Kai Securities (Overseas) Limited	Hong Kong	HK$60,000	**100%**	100%	Investment holding
Sun Hung Kai Securities (Trustees) Limited	Hong Kong	HK$3,000,000	**100%**	100%	Provision of trustee services
Sun Hung Kai Strategic Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and financial services
Sun Hung Kai Structured Finance Limited	Hong Kong	HK$137,500,000	**100%**	100%	Securities trading and provision of loan finance
Sun Hung Kai Structured Products Limited	Hong Kong	HK$2	**100%**	100%	Issuing structured notes
Sun Hung Kai Venture Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Sun Hung Kai Wealth Management Limited	Hong Kong	HK$5,000,000	**100%**	100%	Investment advisory services, financial planning and wealth management
Sun Tai Cheung Finance Company Limited	Hong Kong	HK$25,000,000	**100%**	100%	Financial services
Sun Yi Company Limited	Hong Kong	HK$15,000,000	**100%**	100%	Futures trading
Swan Islands Limited*	British Virgin Islands	US$503,000,001	**100%**	100%	Investment holding
SWAT Securitisation Fund^	Luxembourg	RMB29,968,900	**100%**	—	Securitisation fund
Texgulf Limited	Hong Kong	HK$20	**100%**	100%	Property investment
Tung Wo Investment Company, Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
UA Finance (BVI) Limited	British Virgin Islands	US$1	**58%**	58%	Financing
UAF Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
United Asia Finance Limited	Hong Kong				Consumer financing
– Ordinary shares		HK$171,875,000	**58%**	58%	
– Redeemable preference shares (without voting rights)		HK$99,687,500	**58%**	—	
Wah Cheong Development Company, Limited*	Hong Kong	HK$25,100,000	**100%**	100%	Investment holding
Wineur Secretaries Limited	Hong Kong	HK$2	**100%**	100%	Secretarial services
Yee Li Ko Investment Limited	Hong Kong	HK$58,330,000	**100%**	100%	Property investment
Zeal Goal International Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
大連保稅區亞聯財小額貸款有限公司	People's Republic of China	US$40,000,000	**58%**	58%	Money lending
上海浦東新區亞聯財小額貸款有限公司#	People's Republic of China	RMB200,000,000	**41%**	41%	Money lending
大連亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
天津亞聯財小額貸款有限公司	People's Republic of China	HK$250,000,000	**58%**	58%	Money lending
北京亞聯財小額貸款有限公司#	People's Republic of China	RMB500,000,000	**47%**	47%	Money lending
成都亞聯財小額貸款有限公司	People's Republic of China	HK$350,000,000	**58%**	58%	Money lending

23. INTEREST IN SUBSIDIARIES *(CONTINUED)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital	Proportion of nominal value of issued capital and voting rights 2013	2012	Principal activities
成都亞聯財經濟信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
青島市城陽區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	—	Money lending
武漢亞聯財小額貸款有限公司	People's Republic of China	RMB350,000,000	**58%**	58%	Money lending
哈爾濱市亞聯財小額貸款有限公司	People's Republic of China	RMB200,000,000	**58%**	58%	Money lending
哈爾濱亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
重慶市渝中區亞聯財小額貸款有限責任公司	People's Republic of China	US$50,000,000	**58%**	58%	Money lending
重慶亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy
亞聯財信息諮詢(深圳)有限公司	People's Republic of China	RMB25,000,000	**58%**	58%	Financial consultancy
深圳亞聯財小額貸款有限公司	People's Republic of China	RMB600,000,000	**58%**	58%	Money lending
深圳亞聯財行銷顧問有限公司	People's Republic of China	RMB10,000,000	**58%**	58%	Money lending
雲南省亞聯財小額貸款有限公司	People's Republic of China	HK$350,000,000	**58%**	58%	Money lending
新鴻基(上海)投資顧問有限公司	People's Republic of China	HK$22,300,000	**100%**	100%	Investment advisory and consultancy
新鴻基(天津)股權投資基金管理有限公司	People's Republic of China	RMB50,000,000	**100%**	100%	Asset management
福州市亞聯財小額貸款有限公司	People's Republic of China	RMB100,000,000	**58%**	58%	Money lending
福州亞聯財信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	—	Financial consultancy
廣州市新鴻基投資顧問有限公司	People's Republic of China	HK$6,000,000	**100%**	100%	Corporate marketing and investment consultancy
瀋陽金融商貿開發區亞聯財小額貸款有限公司	People's Republic of China	RMB300,000,000	**58%**	58%	Money lending
瀋陽亞聯財卓越信息諮詢有限公司	People's Republic of China	RMB1,000,000	**58%**	58%	Financial consultancy

* These subsidiaries are directly held by the Company.
\# The companies are non-wholly owned subsidiaries of a non-wholly owned subsidiary.
^ The subsidiary is a fund established and created under Luxembourg laws. As the Group holds all the issued units of the fund, it is classified as a subsidiary.

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

24. INTEREST IN ASSOCIATES

	Group	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Carrying amount of unlisted associates	**30.8**	62.1
Less: impairment	**(0.7)**	(1.7)
	30.1	60.4

All associates are accounted for using the equity method. No associate is individually material to the Group. The analysis of the Group's share of the total comprehensive income and unrecognised share of losses of associates are as follows.

	2013	2012
	HK$ Million	HK$ Million
Share of profit or loss from continuing operations	**11.8**	10.9
Share of other comprehensive income	**—**	—
Share of total comprehensive income	**11.8**	10.9
Share of unrecognised losses for the year	**—**	—
Share of cumulative losses	**(24.3)**	(24.3)

24. INTEREST IN ASSOCIATES *(CONTINUED)*

Particulars of the Group's associates at 31 December 2013 and 2012 were as follows:

		Proportion of nominal value of issued capital and voting rights				
	Place of incorporation	Group		Company		
Principal Associates	**and operation**	**2013**	2012	**2013**	2012	**Principal activities**
China Xin Yongan Futures Company Limited	Hong Kong	**25%**	25%	**—**	—	Futures dealing
Chronicle Gain Limited	Hong Kong	**45%**	45%	**—**	—	Property holding
Drinkwater Investment Limited	Hong Kong	**22%**	22%	**—**	—	Property holding
Eurasia Mattress & Furniture Co. Ltd.	People's Republic of China	**—**	25%	**—**	—	Manufacture of mattresses and bedsteads
Omicron International Limited	British Virgin Islands	**44%**	44%	**38%**	38%	Investment holding
Real Estate Investments (N.T.) Limited	Hong Kong	**40%**	40%	**—**	—	Property development
Silver York Development Limited	Hong Kong	**42%**	42%	**—**	—	Investment holding
Start Hold Limited	Hong Kong	**33%**	33%	**—**	—	Investment holding
Tianjin Eurasia Mattress & Furniture Co. Ltd.	People's Republic of China	**—**	25%	**—**	—	Manufacture of mattresses and bedsteads
大馬化資本管理(深圳)前海有限公司	People's Republic of China	**28%**	—	**—**	—	Sponsor and management of equity investment fund and provision of advisory services

25. INTEREST IN JOINT VENTURES

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Carrying amount of unlisted joint ventures	**164.7**	123.8
Less: impairment	**(2.3)**	(2.3)
	162.4	121.5

25. INTEREST IN JOINT VENTURES *(CONTINUED)*

All joint ventures are accounted for using the equity method. No joint venture is individually material to the Group. The analysis of the Group's share of the total comprehensive income and unrecognised share of losses of joint ventures are as follows.

	2013 **HK$ Million**	2012 HK$ Million
Share of profit or loss from continuing operations	**6.8**	1.3
Share of other comprehensive income	**38.6**	—
Share of total comprehensive income	**45.4**	1.3
The unrecognised share of losses for the year	**(0.9)**	(2.6)
Cumulative share of losses	**(5.5)**	(4.6)

Particulars of the Group's joint ventures at 31 December 2013 and 2012 were as follows:

Principal joint ventures	Form of business structure	Place of incorporation and principal place of operation	Principal activities	Proportion of nominal value of issued capital and voting rights **2013**	2012
Fast Track Holdings Limited	Incorporated	Hong Kong	Investment holding	**49%**	49%
Kima Capital Management	Incorporated	Cayman Islands	Provision of investment management and advisory services	**33%**	—
Look's Holding Limited	Incorporated	Cayman Islands	Investment holding	**30%**	30%
Shenzhen Oriental Venture Capital Management Co., Ltd	Incorporated	People's Republic of China	Venture capital investment management	**—**	49%
Sun Hung Kai Forex Limited*	Incorporated	Hong Kong	Foreign exchange dealing	**51%**	51%
TA SHK Financial Investments Company Limited	Incorporated	Hong Kong	Inactive	**50%**	—
Tribridge Capital Management (Cayman) Limited	Incorporated	Cayman Islands	Fund management	**20%**	20%
中山市中基投資咨詢有限公司	Incorporated	People's Republic of China	Corporate investment, providing management and product marketing consultancy services	**34%**	34%
新鴻基保險經紀(上海)有限公司	Incorporated	People's Republic of China	Insurance broking and consultancy services	**25%**	25%

* Although the proportion of the nominal value of issued capital and shareholders' voting rights of Sun Hung Kai Forex Limited held by the Group are 51% and 81% respectively, the company is classified as a joint venture because the Group and other shareholder appoint pre-determined number of board representation to jointly control the company in accordance with the Shareholders' Deed.

26. FINANCIAL ASSETS AND LIABILITIES

The following table provides an analysis of financial assets and liabilities of the Group that are measured at cost less impairment and at fair value subsequent to initial recognition.

	At 31 December 2013				
	Fair value			Cost less impairment	
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	HK$ Million	Total HK$ Million
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed in Hong Kong	149.8	—	—	—	149.8
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	47.4	53.2	100.6
— Unlisted shares in overseas investment funds	—	—	12.1	—	12.1
	149.8	—	59.5	53.6	262.9
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	210.1	—	—	—	210.1
• Issued by banks	20.0	—	—	—	20.0
• Issued by public utility entities	3.1	—	—	—	3.1
— Equity securities issued by corporate entities listed outside Hong Kong	29.2	—	—	—	29.2
— Exchange-traded funds listed in Hong Kong	70.7	—	—	—	70.7
— Forward currency contracts	—	21.9	—	—	21.9
— Over the counter equity derivatives	—	—	1.4	—	1.4
— Warrants, futures and options listed in Hong Kong	1.9	—	—	—	1.9
— Unlisted overseas options	—	10.2	0.1	—	10.3
— Unlisted bonds and notes issued by listed companies	—	62.3	—	—	62.3
— Unlisted convertible bonds and notes issued by listed companies	—	—	3.4	—	3.4
— Unlisted convertible bonds and notes issued by unlisted companies	—	10.9	—	—	10.9
	335.0	105.3	4.9	—	445.2
Investments designated as at fair value through profit or loss issued by corporate entities					
— Unlisted bonds issued by a Singapore listed company	—	—	45.5	—	45.5
— Unlisted overseas redeemable convertible securities	—	75.2	—	—	75.2
— Equity securities in unlisted overseas investment funds	—	—	468.0	—	468.0
	—	75.2	513.5	—	588.7
	335.0	180.5	518.4	—	1,033.9
Analysed for reporting purposes as:					
— Non-current assets					378.3
— Current assets					655.6
					1,033.9

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2013				
	Fair value			Cost less	
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	impairment HK$ Million	Total HK$ Million
Financial liabilities at fair value through profit or loss					
Held for trading					
— Forward currency contracts	—	(29.6)	—	—	(29.6)
— Futures and options listed in Hong Kong	(1.6)	—	—	—	(1.6)
— Over the counter equity derivatives	—	—	(28.9)	—	(28.9)
— Stock borrowings	—	(0.7)	—	—	(0.7)
	(1.6)	(30.3)	(28.9)	—	(60.8)
Non-current financial liabilities designated as at fair value through profit or loss					
— Renminbi denominated asset-backed bonds*	—	—	(42.9)	—	(42.9)
	(1.6)	(30.3)	(71.8)	—	(103.7)

* In June 2013, SWAT Securitisation Fund, a subsidiary of the Group, issued RMB106.8 million 9.5% 2-year Renminbi denominated bonds at par for a net consideration of HK$134.8 million. The bonds are asset-backed by another set of Renminbi bonds held by the Group which are issued by a Singapore listed company ("Singapore Bonds"). The repayment of the principal and the payment of coupons are protected by the proceeds generated by the Singapore Bonds in case of the occurrence of an event of default as defined in the placement memorandum of the bonds.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2012				
	Fair value			Cost less	
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	impairment HK$ Million	Total HK$ Million
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed outside Hong Kong	0.5	—	—	—	0.5
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	43.6	50.8	94.4
— Unlisted shares in overseas investment funds	—	—	25.1	—	25.1
	0.5	—	68.7	51.2	120.4
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	136.9	—	—	—	136.9
• Issued by banks	14.7	—	—	—	14.7
• Issued by public utility entities	2.3	—	—	—	2.3
— Equity securities issued by corporate entities listed outside Hong Kong (the securities in level 2 is under a sale restriction period of one year)	55.7	41.1	—	—	96.8
— Exchange-traded funds listed in Hong Kong	41.4	—	—	—	41.4
— Over the counter equity derivatives	—	—	1.6	—	1.6
— Warrants, futures and options listed in Hong Kong	0.2	—	—	—	0.2
— Unlisted overseas warrants and options	—	—	0.1	—	0.1
— Unlisted bonds and notes issued by listed companies	8.2	100.3	2.5	—	111.0
— Unlisted convertible bonds and notes issued by listed companies	—	13.9	3.6	—	17.5
	259.4	155.3	7.8	—	422.5
Investments designated as at fair value through profit or loss issued by corporate entities					
— Unlisted overseas redeemable convertible securities	—	—	50.0	—	50.0
— Equity securities in unlisted overseas investment funds	—	—	282.6	—	282.6
	—	—	332.6	—	332.6
	259.4	155.3	340.4	—	755.1
Analysed for reporting purposes as:					
— Non-current assets					286.1
— Current assets					469.0
					755.1
Financial liabilities at fair value through profit or loss					
Held for trading					
— Futures and options listed in Hong Kong	(0.2)	—	—	—	(0.2)
— Over the counter equity derivatives	—	—	(32.4)	—	(32.4)
	(0.2)	—	(32.4)	—	(32.6)
Designated as at fair value through profit or loss					
— Dual currency notes	—	(20.1)	—	—	(20.1)
	(0.2)	(20.1)	(32.4)	—	(52.7)

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

Available-for-sale investments are intended to be held for a continuing strategic or long-term purpose. As there are no sufficient market comparables as input to measure the fair value reliably, some of the unlisted equity investments are measured at cost less impairment.

On the basis of its analysis of the nature, characteristics and risks of the equity securities, the Group has determined that presenting them by nature and type of issuers is appropriate.

Fair values are grouped from Level 1 to 3 based on the degree to which the fair values are observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include input for the assets or liabilities that are not based on observable market data.

There were no transfers between Level 1 and 2 during both years.

The fair value of unlisted bonds and notes and forward currency contracts under Level 2 at the reporting date were derived from quoted prices from pricing services. The fair value of unlisted overseas options, unlisted convertible bonds and notes and unlisted overseas redeemable convertible securities under Level 2 at the reporting date were derived from observable offer prices of the underlying securities to be converted.

The fair value of Level 3 financial assets and liabilities are mainly derived from an unobservable range of data. In estimating the fair value of an asset or a liability under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The following table provide further information regarding the valuation of material financial assets (liabilities) under Level 3.

	Valuation technique	Unobservable inputs	Input values	Fair value at 31/12/2013 HK$ Million
Available-for-sale investments				
Unlisted overseas shares issued by corporate entities	Discounted cash flow	Weighted average cost of capital	5.0%	**47.4**
		Average annual dividend pay-out	HK$59.5 million	
Unlisted shares in overseas investment funds	Net asset value*	n/a	n/a	**12.1**
Financial assets designated as at fair value through profit or loss				
Unlisted bonds issued by a Singapore listed company	Discounted cash flow	Discount rate	12.5%	**45.5**
		Recovery probability	25% on nominal value	
Unlisted shares in overseas investment funds	Net asset value*	n/a	n/a	**468.0**
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	**(28.9)**
Financial liabilities designated as at fair value through profit or loss				
Renminbi denominated asset-backed bonds	Discounted cash flow	Payments based on recovery from asset-backed bonds	n/a	**(42.9)**

* The Group has determined that the reported net asset value represent fair value of the unlisted shares in overseas investment funds.

The Group believes that possible changes in the input values would not cause significant change in fair value of the financial assets and liabilities under Level 3.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The reconciliation of financial assets and liabilities under Level 3 fair value measurements is as follows:

	2013							
		Recognised gains or losses						
	Balance at 1/1/2013 HK$ Million	Profit or loss HK$ Million	Other comprehensive income HK$ Million	Purchase HK$ Million	Disposal HK$ Million	Reclassification to Level 2 HK$ Million	Balance at 31/12/2013 HK$ Million	Unrealised profit or loss for the year HK$ Million
Available-for-sale investments								
Unlisted overseas shares	43.6	—	3.8	—	—	—	47.4	—
Unlisted overseas investment funds	25.1	—	3.4	—	(16.4)	—	12.1	—
Held for trading investments								
Over the counter equity derivatives	1.6	(0.2)	—	—	—	—	1.4	(0.2)
Unlisted overseas options	0.1	—	—	—	—	—	0.1	—
Unlisted convertible and non-convertible bonds and notes	6.1	(0.3)	—	—	—	(2.4)	3.4	(0.3)
Investments designated as at fair value								
Unlisted bonds issued by a Singapore listed company	—	(81.4)	—	126.9	—	—	45.5	(86.7)
Unlisted overseas redeemable convertible securities	50.0	18.1	—	7.1	—	(75.2)	—	18.1
Unlisted overseas investment funds	282.6	66.4	—	165.6	(46.6)	—	468.0	35.0
Financial liabilities held for trading								
Over the counter equity derivatives	(32.4)	3.5	—	—	—	—	(28.9)	3.5
Financial liabilities designated as at fair value								
Renminbi denominated asset-backed bonds	—	91.9	—	(134.8)	—	—	(42.9)	95.1

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	2012							
		Recognised gains or losses						
	Balance at 1/1/2012 HK$ Million	Profit or loss HK$ Million	Other comprehensive income HK$ Million	Purchase HK$ Million	Disposal HK$ Million	Reclassification to Level 2 HK$ Million	Balance at 31/12/2012 HK$ Million	Unrealised profit or loss for the year HK$ Million
Available-for-sale investments								
Unlisted overseas shares	42.3	—	1.3	—	—	—	43.6	—
Unlisted overseas investment funds	31.2	—	0.9	—	(7.0)	—	25.1	—
Held for trading investments								
Over the counter equity derivatives	1.5	0.1	—	—	—	—	1.6	0.1
Unlisted overseas warrants and options	0.2	(0.1)	—	—	—	—	0.1	(0.1)
Unlisted convertible and non-convertible bonds and notes	7.4	(1.3)	—	—	—	—	6.1	(1.3)
Investments designated as at fair value								
Unlisted overseas redeemable convertible securities	50.0	—	—	—	—	—	50.0	—
Unlisted overseas investment funds	268.7	22.4	—	66.4	(74.9)	—	282.6	19.0
Financial liabilities held for trading								
Over the counter equity derivatives	(13.1)	(19.3)	—	—	—	—	(32.4)	(19.3)

For the current year, due to the availability of prices quoted from pricing services, the Group has changed the valuation technique of certain bonds from discounted cash flows to the prices quoted. As a result, unlisted bonds and notes under held for trading investments of HK$2.4 million were reclassified from Level 3 to Level 2 during the current year. In addition, as there was observable offer price for the underlying securities of the unlisted overseas redeemable convertible securities categorised under Level 3, the Group changed the valuation technique of these securities from discounted cash flow to the observable price and reclassified the securities with a fair value of HK$75.2 million from Level 3 to Level 2 in current year. The Group's policy is to recognise transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The carrying amounts of the Group's financial assets at the end of the reporting period were as follows:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Available-for-sale investments	**262.9**	120.4
Financial assets at fair value through profit or loss		
— Held for trading investments	**445.2**	422.5
— Investments designated as at fair value through profit or loss	**588.7**	332.6
	1,033.9	755.1
Loans and receivables		
— Amounts due from associates and joint ventures (Note 29)	**73.8**	58.0
— Amounts due from the immediate holding company (Note 35)	**8.9**	—
— Loans and advances to consumer finance customers (Note 30)	**10,043.5**	8,293.8
— Trade and other receivables (Note 31)	**7,616.0**	6,231.2
— Bank deposits (Note 32)	**755.6**	467.8
— Cash and cash equivalents (Note 32)	**2,982.9**	4,567.5
	21,480.7	19,618.3
	22,777.5	20,493.8

The carrying amounts of Group's financial liabilities at the end of the reporting period were as follows:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Financial liabilities at fair value through profit or loss		
— Held for trading	**60.8**	32.6
— Designated as at fair value	**42.9**	20.1
	103.7	52.7
Financial liabilities measured at amortised cost		
— Bank and other borrowings (Note 33)	**4,884.2**	4,341.0
— Trade and other payables (Note 34)	**1,652.2**	1,160.0
— Amounts due to fellow subsidiaries and a holding company (Note 35)	**25.7**	8.9
— Amounts due to associates (Note 35)	**0.1**	0.1
— Bonds and notes (Note 37)	**3,698.3**	3,194.3
	10,260.5	8,704.3
	10,364.2	8,757.0

26. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The disclosures set out in the table below include financial assets and financial liabilities that:

— are offset in the Group's consolidated statement of financial position; or

— are subject to an enforceable master netting arrangement or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Group					
				Related amounts not offset in consolidated statement of financial position		
	Gross amounts of recognised financial assets and liabilities	Amounts offset	Net amounts presented in consolidated statement of financial position	Recognised assets and liabilities	Collateral pledged	Net amount
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 31 December 2013						
Financial assets						
— Accounts receivable from exchange, brokers and clients (Note 31)	**2,257.0**	**(1,208.2)**	**1,048.8**	**(9.0)**	**(240.9)**	**798.9**
— Margin loans (Note 31)	**3,918.7**	**—**	**3,918.7**	**—**	**(3,563.8)#**	**354.9**
	6,175.7	**(1,208.2)**	**4,967.5**	**(9.0)**	**(3,804.7)**	**1,153.8**
Financial liabilities						
— Accounts payable to exchanges, brokers and clients (Note 34)	**(2,682.7)**	**1,208.2**	**(1,474.5)**	**9.0**	**202.9**	**(1,262.6)**
At 31 December 2012						
Financial assets						
— Accounts receivable from exchange, brokers and clients (Note 31)	1,926.4	(966.7)	959.7	(50.5)	(182.4)	726.8
— Margin loans (Note 31)	3,286.7	—	3,286.7	—	(2,925.1)#	361.6
	5,213.1	(966.7)	4,246.4	(50.5)	(3,107.5)	1,088.4
Financial liabilities						
— Accounts payable to exchanges, brokers and clients (Note 34)	(1,949.9)	966.7	(983.2)	50.5	55.7	(877.0)

Further information for the collateral pledged by margin clients is disclosed in Note 43.

A financial asset and a financial liability shall be offset when the Group currently has a legally enforceable right to set off the recognised amounts, such as in a master netting arrangement, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. However, if such rights are enforceable only on the occurrence of some future event, such an arrangement does not meet the conditions for offset and the recognised amounts would not be offset.

Further details on financial risk management of financial assets and liabilities are disclosed in Note 46.

27. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities of the Group recognised and movements thereon during the current and prior years:

	Group						
	Accelerated tax depreciation HK$ Million	Provisions and impairment HK$ Million	Revaluation of assets HK$ Million	Unrealised profit HK$ Million	Undistributed earnings and others HK$ Million	Tax losses HK$ Million	Total HK$ Million
At 1 January 2012	(25.8)	99.3	(178.2)	(13.8)	(6.2)	12.8	(111.9)
Exchange adjustments	—	0.6	(0.3)	(0.4)	—	—	(0.1)
Recognised in profit or loss (Note 14)	1.6	31.9	0.5	(15.8)	0.1	(10.7)	7.6
At 31 December 2012	(24.2)	131.8	(178.0)	(30.0)	(6.1)	2.1	(104.4)
Exchange adjustments	(0.1)	2.8	(0.9)	(1.0)	(0.1)	0.1	0.8
Recognised in profit or loss (Note 14)	3.3	72.0	(2.2)	(9.2)	(4.4)	38.4	97.9
At 31 December 2013	(21.0)	206.6	(181.1)	(40.2)	(10.6)	40.6	(5.7)

For reporting purposes, certain deferred tax assets and liabilities have been offset in the underlying subsidiaries. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Deferred tax assets	**201.6**	106.0
Deferred tax liabilities	**(207.3)**	(210.4)
	(5.7)	(104.4)

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK$1.3 million (31/12/2012: HK$1.4 million) and unrecognised tax losses of HK$377.7 million (31/12/2012: HK$750.3 million) available to offset against future profits. The deductible temporary difference and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profits available for the utilisation of these temporary differences. The unrecognised tax losses included a sum of HK$1.9 million that will expire from 2014 to 2017 (31/12/2012: HK$10.3 million will expire from 2014 to 2017).

Under the Law of PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$810.9 million at the end of the reporting period (31/12/2012: HK$512.0 million). The taxable temporary differences have not been recognised as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	Company	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Amounts due from subsidiaries	**6,911.0**	7,316.9
Less: impairment allowance	**(365.1)**	(543.3)
	6,545.9	6,773.6
Analysed for reporting purposed as:		
— Non-current assets*	**6,078.9**	6,444.6
— Current assets	**467.0**	329.0
	6,545.9	6,773.6
Gross amount of impaired advances to subsidiaries	**1,925.0**	1,708.6
Impairment allowance		
— At 1 January	**(543.3)**	(318.1)
— Amounts recognised in profit or loss	**178.2**	(225.2)
— At 31 December	**(365.1)**	(543.3)
Net carrying amount of impaired advances to subsidiaries	**1,559.9**	1,165.3

* After taking into account the expected settlement period, the amounts due from subsidiaries are not expected to be repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current.

The amounts due from subsidiaries are unsecured, repayable on demand, and non-interest bearing. The Company assesses at year-end whether there is objective evidence that the amounts due from subsidiaries are impaired. The impairment is made if and only if there is objective evidence of impairment as a result of one or more loss events including unsustainable operating losses occurring and having an impact in the estimated future cash flows of subsidiaries that can be reliably estimated.

The amounts due to subsidiaries are unsecured, repayable on demand and non-interest bearing.

29. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES

	Group	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Amounts due from associates	**83.0**	88.3
Less: impairment allowance	**(17.1)**	(31.3)
	65.9	57.0
Amounts due from joint ventures	**7.9**	1.0
	73.8	58.0
Analysed for reporting purposed as:		
— Non-current assets	**65.9**	51.4
— Current assets	**7.9**	6.6
	73.8	58.0
Gross amount of impaired advances to associates	**18.4**	82.7
Impairment allowance		
— At 1 January	**(31.3)**	(30.2)
— Amounts recognised in profit or loss	**14.2**	(1.1)
— At 31 December	**(17.1)**	(31.3)
Net carrying amount of impaired advances to associates	**1.3**	51.4

The impairment is recognised when there is objective evidence of impairment (such as unsustainable operating loss) after the Group's evaluation of the collectibility of amounts due from associates.

Further details of amounts due from associates and joint ventures are disclosed in Note 35.

29. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

	Company	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Amounts due from associates	**60.7**	60.4
Less: impairment allowance	**—**	(6.0)
	60.7	54.4
Analysed for reporting purposed as:		
— Non-current assets	**59.5**	54.4
— Current assets	**1.2**	—
	60.7	54.4
Gross amount of impaired advances to associates	**—**	60.4
Impairment allowance		
— At 1 January	**(6.0)**	(4.9)
— Amounts recognised in profit or loss	**6.0**	(1.1)
— At 31 December	**—**	(6.0)
Net carrying amount of impaired advances to associates	**—**	54.4

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Loans and advances to consumer finance customers	**10,642.7**	8,753.5
Less: impairment allowance	**(599.2)**	(459.7)
	10,043.5	8,293.8
Analysed for reporting purposes as:		
— Non-current assets	**3,440.5**	3,057.6
— Current assets	**6,603.0**	5,236.2
	10,043.5	8,293.8

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS *(CONTINUED)*

Movements of impairment allowance during the year were as follows:

	Group	
	2013 HK$ Million	2012 HK$ Million
At 1 January	**(459.7)**	(405.7)
Exchange adjustments	**(4.0)**	(0.8)
Amounts written off	**519.3**	366.7
Amounts recognised in profit or loss	**(567.3)**	(350.8)
Amounts recovered	**(87.5)**	(69.1)
At 31 December	**(599.2)**	(459.7)

Certain loans and advances are secured by properties. All the loans and advances bear interest at market interest rates.

The loans and advances to consumer finance customers have been reviewed by the Consumer Finance division to assess impairment allowances which are based on the evaluation of collectibility, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

The following is an ageing analysis for the loans and advances to consumer finance customers that were past due at the end of the reporting period but not impaired:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Less than 31 days past due	**600.0**	461.4
31 – 60 days	**124.9**	112.0
61 – 90 days	**55.5**	71.7
91 – 180 days	**114.0**	111.1
Over 180 days	**24.7**	24.3
	919.1	780.5

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS *(CONTINUED)*

The loans and advances to consumer finance customers categorised as unsecured and secured, are as follows:

At the reporting date, loans and advances to consumer finance customers consisted of HK$8,794.7 million unsecured (31/12/2012: HK$7,439.7 million) and HK$1,248.8 million secured (31/12/2012: HK$854.1 million). The table below summarises its credit quality (gross balances net of impairment allowances):

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Credit quality		
Neither past due nor individually impaired	**9,124.4**	7,513.0
Past due or individually impaired	**919.1**	780.8
	10,043.5	8,293.8

The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty.

The main types of collateral and credit enhancement obtained are as follows:

— for personal lending, mortgages over residential properties; and

— for commercial lending, corporate guarantees, charges over real estate properties, pledge of shares or debentures over the borrower's assets.

In general, the loans and advances which are granted on a secured basis, are made to the consumer finance customers with sufficient amount of collateral provided by them. Management requests additional collateral as appropriate in accordance with the underlying agreements, and monitors the market value of collateral during its review of the adequacy of the allowance for impairment losses.

Estimate of fair value of collateral are based on the fair value of collateral determined using valuation techniques commonly used for the corresponding assets at the time of borrowing.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay or reduce the outstanding loan balances. In general, the Group does not retained repossessed properties for business purpose.

For the secured loans and advances to consumer finance customers with the carrying amount of HK$817.4 million (2012: HK$686.1 million), the fair values of the collaterals of such can be objectively ascertained to cover the outstanding amount of the loan balances.

The carrying amounts of the loans and advances to consumer finance customers approximate their fair values.

31. TRADE AND OTHER RECEIVABLES

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Trade receivables — accounts receivable from exchanges, brokers and clients	**1,068.2**	988.7
Less: impairment allowance	**(19.4)**	(29.0)
	1,048.8	959.7
Secured term loans	**2,244.4**	1,785.8
Unsecured term loans	**117.0**	84.0
Less: impairment allowance	**(4.8)**	(132.9)
	2,356.6	1,736.9
Margin loans	**4,074.3**	3,419.3
Less: impairment allowance	**(155.6)**	(132.6)
	3,918.7	3,286.7
Other receivables		
— Deposits	**90.1**	43.1
— Dividend receivable on behalf of clients	**22.0**	15.5
— Claims from counter parties, receivable from sale proceeds and other receivables	**179.8**	189.3
	291.9	247.9
Trade and other receivables at amortised cost	**7,616.0**	6,231.2
Prepayments	**45.9**	12.5
Current portion of leasehold interests in land (Note 18)	**0.3**	0.3
	7,662.2	6,244.0
Analysed for reporting purposes as:		
— Non-current assets	**1,131.8**	720.0
— Current assets	**6,530.4**	5,524.0
	7,662.2	6,244.0

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an ageing analysis of trade and other receivables based on date of invoice/contract note at the reporting date:

	Group	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Less than 31 days	**1,035.0**	947.2
31 – 60 days	**2.4**	4.6
61 – 90 days	**2.9**	4.0
91 – 180 days	**7.5**	0.8
Over 180 days	**30.6**	45.7
	1,078.4	1,002.3
Term loans, margin loans and trade and other receivables without ageing*	**6,717.4**	5,523.4
Impairment allowances	**(179.8)**	(294.5)
Trade and other receivables at amortised cost	**7,616.0**	6,231.2

* No ageing analysis is disclosed for margin loans and term loans financing, as, in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of the margin loans and term loans financing business.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The gross amount of impaired receivables at the reporting date and the movement of impairment allowances during the year were as follows:

	Trade receivables HK$ Million	**Term loans** HK$ Million	**Margin loans** HK$ Million	**Total** HK$ Million
At 31 December 2013				
Gross amount of impaired receivables	**22.2**	**6.3**	**216.1**	**244.6**
Individually assessed impairment allowances				
— Balance brought forward	**(29.0)**	**(132.9)**	**(132.6)**	**(294.5)**
— Amounts written off	**3.2**	**124.6**	**9.2**	**137.0**
— Amounts recognised in profit or loss	**6.4**	**3.5**	**(32.2)**	**(22.3)**
— Balance carried forward	**(19.4)**	**(4.8)**	**(155.6)**	**(179.8)**
Net carrying amount of impaired receivables	**2.8**	**1.5**	**60.5**	**64.8**
At 31 December 2012				
Gross amount of impaired receivables	39.4	184.4	183.5	407.3
Individually assessed impairment allowances				
— Balance brought forward	(19.3)	(56.6)	(66.0)	(141.9)
— Amounts written off	0.3	—	—	0.3
— Amounts recognised in profit or loss	(10.0)	(76.3)	(66.6)	(152.9)
— Balance carried forward	(29.0)	(132.9)	(132.6)	(294.5)
Net carrying amount of impaired receivables	10.4	51.5	50.9	112.8

Impairment loss on trade receivables, margin loans, term loans and other receivables is recognised in profit or loss after review by the Credit Control Department or the Credit and Executive Committees of the Company, based on the latest status of trade receivables, margin loans, term loans and other receivables, and the latest announced or available information about the underlying collateral held.

31. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an ageing analysis of trade and other receivables that were past due at the end of the reporting period but not impaired:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Less than 31 days	**11.3**	14.5
31 – 60 days	**1.9**	0.8
61 – 90 days	**20.0**	0.2
91 – 180 days	**6.8**	0.3
Over 180 days	**40.2**	14.7
	80.2	30.5

Listed securities, unlisted securities and properties of clients are held as collateral against secured margin loans and term loans. Clients are normally required to provide additional margin or collateral whenever there are any shortfalls in their accounts.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay or reduce the outstanding loan balances. In general, the Group does not retained repossessed properties for business purpose.

The carrying amounts of the trade and other receivables at amortised cost approximate their fair values.

Further details on financial risk management of trade and other receivables are disclosed in Note 46.

32. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Bank balances and cash	**1,766.8**	2,901.5
Fixed deposits with banks with a term within 3 months	**1,216.1**	1,666.0
Cash and cash equivalents	**2,982.9**	4,567.5
Fixed deposits with banks with a term between 4 to 12 months	**755.6**	467.8
	3,738.5	5,035.3

The Group maintains trust and segregated accounts with licensed banks to hold clients' deposits arising from normal business transactions. At 31 December 2013, trust and segregated accounts not dealt with in these consolidated financial statements totalled HK$6,095.3 million (31/12/2012: HK$5,808.5 million).

The carrying amounts of bank deposits, cash and cash equivalents approximate their fair values.

Further details on financial risk management of bank deposits, cash and cash equivalents are disclosed in Note 46.

33. BANK AND OTHER BORROWINGS

	Group	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Bank loans		
— Unsecured term loans	**4,706.9**	4,198.2
— Secured instalment loans	**102.4**	110.9
Total bank borrowings	**4,809.3**	4,309.1
Preference shares issued to non-controlling interests	**42.3**	—
Other borrowings	**32.6**	31.9
	4,884.2	4,341.0
Analysed for reporting purposes as:		
— Current liabilities	**2,435.4**	3,166.6
— Non-current liabilities	**2,448.8**	1,174.4
	4,884.2	4,341.0

At 31 December 2013, bank and other borrowings were repayable as follows:

	Group	
	31/12/2013	31/12/2012
	HK$ Million	HK$ Million
Bank borrowings		
— Within one year	**2,300.4**	3,023.8
— In the second year	**810.7**	1,174.4
— In the third to fifth year	**1,595.8**	—
Bank borrowings with a repayment on demand clause		
— Within one year	**46.0**	8.5
— In the second year	**56.4**	46.0
— In the third to fifth year	**—**	56.4
	4,809.3	4,309.1
Preference shares issued to non-controlling interests		
— In the third to fifth year	**42.3**	—
Other borrowings		
— Within one year	**9.0**	8.7
Other borrowings with a repayment on demand clause		
— Within one year	**23.6**	23.2
	4,884.2	4,341.0

33. BANK AND OTHER BORROWINGS *(CONTINUED)*

The secured instalment bank loans are repayable by instalments up to December 2015. Interest is charged on the outstanding balances at market rates.

All the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$439.1 million which was in Renminbi (31/12/2012: HK$440.4 million). Further details related to financial risk management of such balances are disclosed in Note 46.

During the year, a subsidiary of the Group issued at par 687,500 preference shares of HK$145 each of which 287,500 shares were issued to non-controlling interests. As the preference shares carry a fixed dividend rate and the subsidiary is bound to redeem the preference shares upon the request by the holders of the preference shares on or after the fifth anniversary of the date of allotment of the preference shares, the preference shares are classified as financial liabilities.

The carrying amounts of the bank and other borrowings approximate their fair values.

34. TRADE AND OTHER PAYABLES

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Accounts payable to exchanges, brokers and clients	**1,474.5**	983.2
Dividend receivable on behalf of clients	**22.0**	15.5
Other accounts payable	**155.7**	161.3
Trade and other payables at amortised cost	**1,652.2**	1,160.0
Accrued staff costs and other accrued expenses	**214.3**	177.6
	1,866.5	1,337.6

The following is an ageing analysis of the trade and other payables based on the date of invoice/contract note at the reporting date:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Less than 31 days	**1,559.1**	1,054.6
31 – 60 days	**8.8**	11.8
61 – 90 days	**6.5**	9.2
91 – 180 days	**8.3**	26.9
Over 180 days	**3.9**	19.6
	1,586.6	1,122.1
Accrued staff costs, other accrued expenses and other payables without ageing	**279.9**	215.5
	1,866.5	1,337.6

The carrying amounts of the trade and other payables at amortised cost approximate their fair values.

The trade and other payables of the Company include financial guarantee contracts with an aggregate carrying value of HK$5.0 million for borrowings by subsidiaries.

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material transactions with related parties:

	Group	
	2013 **HK$ Million**	2012 HK$ Million
Associates of a holding company		
Insurance premiums received from associates of a holding company in the course of provision of insurance brokerage services*	**1.5**	1.6
Rental and building management fees to an associates of a holding company	**(1.4)**	(1.0)
Repayment of loan due to a listed associate of a holding company	**—**	(24.2)
Finance costs to associates of a holding company	**—**	(1.0)
Interest received from an associate of a holding company	**7.3**	—
6% unsecured term loan advanced to an associate of a holding company expiring on 31 March 2015*	**(104.7)**	—
Joint ventures of a holding company		
Rental and building management fees to a joint venture of a holding company#	**(14.8)**	(12.3)
Joint ventures		
Management fees received from a joint venture	**3.5**	3.5
Holding company and its subsidiaries		
Brokerage received from holding companies and fellow subsidiaries	**1.1**	1.5
Insurance premiums received from a holding company and fellow subsidiaries in the course of provision of insurance brokerage services*	**3.4**	3.0
Repayment of short-term loan due to a fellow subsidiary	**—**	(1,250.0)
Finance costs to fellow subsidiaries	**(13.2)**	(16.8)
Management fees paid to a holding company*	**(4.1)**	(3.6)
Purchase of a motor vehicle from a fellow subsidiary	**(1.0)**	—

* The transactions also constituted continuing connected transactions. The details are disclosed under the Directors' Report section.

\# In February 2014, the Group entered into a master lease agreement in respect of the rental and building management fees to the associate of a holding company. The transactions under the master lease agreement constitute continuing connected transactions. Their details are disclosed under the Directors' Report section.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2013 **HK$ Million**	2012 HK$ Million
Short-term benefits	**64.4**	78.3
Post-employment benefits	**1.5**	1.6
	65.9	79.9

During the year, 579,000 shares were granted under the SHK Employee Ownership Scheme to key management personnel. In addition, 633,000 shares with a total amount of HK$3.33 million were vested for key management personnel during the year. The total dividend payments paid to the key management personnel during the year were HK$0.4 million (2012: HK$0.4 million).

In addition to the above, the Group had year-end trading account balance of HK$3.9 million (2012: HK$2.9 million) payable to key management personnel. Brokerage and service fees received from the key management personnel during the year amounting to HK$0.2 million (2012: HK$0.3 million).

At the extraordinary general meeting of the Company held on 23 July 2012, it was resolved that a director's service agreement entered between the Group and a director of a subsidiary for a term of ten years be approved. Subject to the terms and conditions of the agreement, the Group has granted the director an option ("Option") to subscribe for or purchase up to 20% of the issued capital of a new company ("Newco") to be established to hold all equity interests in subsidiaries incorporated or to be incorporated in the PRC for money lending businesses in the PRC ("PRC Subsidiaries") at an exercise price which is determined based on the aggregate carrying amount of shareholders equity and shareholders loans proportional to the shareholding to be taken up by the director at the time of exercise of the Option. Prior to the period before the Option becomes vested, the director is also entitled a bonus calculated based on the performance of PRC Subsidiaries. The transaction constituted a very substantial disposal and a connected transaction and its details were disclosed in the Company's circular dated 29 June 2012.

The fair value of the Option on grant date of 23 July 2012 was HK$255.1 million which was calculated using The Black-Scholes pricing model and carried out by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. The inputs into the model include an underlying asset value of PRC Subsidiaries as at the grant date of HK$1,018.1 million, risk free rate of 2.74%, volatility of 39.25% and expected option life of 5 years. No share based payment expense is recognised in the consolidated financial statements for the year ended 31 December 2013 since one of the vesting conditions for the Option is the successful completion of the establishment of the Newco, the date of which, in the opinion of the management, could not yet be estimated with reasonable certainty.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

At the end of the reporting period, the Group had the following material balances with related parties:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Associates of a holding company		
Deposits and trade receivable due from associates of a holding company	**5.3**	2.1
6% unsecured term loans due from an associate of a holding company expiring on 31 March 2015	**104.4**	—
	109.7	2.1
Associates		
Amounts due from associates	**65.9**	57.0
Amounts due to associates	**(0.1)**	(0.1)
	65.8	56.9
Joint ventures		
Amounts due from joint ventures	**7.9**	1.0
Guarantees for banking facilities granted to a joint venture	**—**	(5.8)
Holding company and fellow subsidiaries		
Trade receivable due from the immediate holding company	**8.9**	—
Trade payable due to a holding company	**(1.0)**	(0.9)
Trade payable due to fellow subsidiaries	**(24.7)**	(8.0)
	(16.8)	(8.9)
Bonds and notes held by fellow subsidiaries	**(212.0)**	(194.6)
	(228.8)	(203.5)

The amounts due from (to) associates and joint ventures are unsecured, non-interest bearing and repayable on demand.

36. PROVISIONS

	Group		
	Employee benefits HK$ Million	**Others** HK$ Million	**Total** HK$ Million
At 1 January 2013	27.0	16.1	43.1
Additional provisions for the year	51.8	1.1	52.9
Amount utilised during the year	(6.6)	(0.3)	(6.9)
Amount paid during the year	(30.4)	(1.2)	(31.6)
At 31 December 2013	41.8	15.7	57.5

	Group	
	31/12/2013 **HK$ Million**	31/12/2012 HK$ Million
Analysed for reporting purposes as:		
— Current liabilities	**45.9**	33.0
— Non-current liabilities	**11.6**	10.1
	57.5	43.1

37. BONDS AND NOTES

	Group	
	31/12/2013 **HK$ Million**	31/12/2012 HK$ Million
US dollar denominated notes	**2,689.0**	2,693.4
Renminbi denominated notes (the "RMB Notes")		
— 4% 3-year Renminbi denominated notes (the "4% 3-year Notes")	**366.2**	500.9
— 6.9% 5-year Renminbi denominated notes (the "6.9% 5-year Notes")	**643.1**	—
	3,698.3	3,194.3
Analysed for reporting purposes as:		
— Current liabilities	**366.2**	—
— Non-current liabilities	**3,332.1**	3,194.3
	3,698.3	3,194.3

37. BONDS AND NOTES *(CONTINUED)*

The US dollar denominated notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US$2 billion guaranteed medium term note programme. The notes are listed on The Stock Exchange of Hong Kong Limited and are issued to professional investors only as described in the pricing supplement dated 17 September 2012 and the offering circular dated 13 June 2012. The notes will mature on 26 September 2017 and are guaranteed by the Company.

During the year, the Group purchased part of the US dollar denominated notes with a total nominal value of US$5 million (2012: US$4 million) from the market at a consideration of HK$39.6 million (2012: HK$31.2 million) and then sold part of the notes with a total nominal value of US$3.5 million for HK$27.9 million. The nominal value of the notes outstanding after eliminating the intra-group holdings was US$344.5 million or equivalent to HK$2,671.4 million at the reporting date (31/12/2012: US$346.0 million or equivalent to HK$2,681.8 million). The fair value of the notes based on the price quoted from pricing service at the reporting date was HK$2,771.8 million (31/12/2012: HK$2,680.7 million) which was categorised as Level 2.

The RMB Notes were issued by a subsidiary, UA Finance (BVI) Limited, under a US$3 billion medium term note programme. On 2 May 2013, the subsidiary further issued RMB500 million 6.9% 5-year Notes at par for a net consideration of HK$625.3 million. The 4% 3-year Notes and 6.9% 5-year Notes will mature in April 2014 and May 2018 respectively. The RMB Notes are unsecured, guaranteed by a non-wholly owned subsidiary.

During the year, the Group purchased part of the 4% 3-year Notes with a total nominal value of RMB116.9 million (2012: RMB49.0 million) from the market at a consideration of HK$147.8 million (2012: HK$56.0 million). The nominal value of the RMB Notes after eliminating the intra-group holdings was RMB 784.1 million or equivalent to HK$1,004.4 million at the reporting date (31/12/2012: RMB401.0 million or equivalent to HK$498.8 million). The fair value of the RMB Notes based on the price quoted from pricing service at the reporting date was HK$1,026.4 million (31/12/2012: HK$482.2 million) which was categorised as Level 2.

38. SHARE CAPITAL

	Number of shares		Share capital	
	2013 Million Shares	2012 Million Shares	**2013 HK$ Million**	2012 HK$ Million
Ordinary shares of HK$0.2 each				
Authorised				
Balance at 1 January and 31 December	**15,000.0**	15,000.0	**3,000.0**	3,000.0
Issued and fully paid				
Balance at 1 January	**2,162.1**	2,109.4	**432.4**	421.9
Shares issued for scrip dividends	**0.7**	68.7	**0.1**	13.7
Shares repurchased and cancelled	**(39.2)**	(16.0)	**(7.8)**	(3.2)
Balance at 31 December	**2,123.6**	2,162.1	**424.7**	432.4

(a) During the year, 0.7 million shares of the Company were issued and allotted under the 2012 final scrip dividend scheme for HK$3.1 million.

(b) During the year, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 0.5 million shares of the Company (2012: 2.4 million shares) through purchases on The Stock Exchange of Hong Kong Limited for the Awarded Shares of the EOS. The total amount paid to acquire the shares during the year was HK$2.7 million (2012: HK$10.0 million), which has been deducted from the owners' equity.

(c) During the year, the Company repurchased its own shares through purchases on The Stock Exchange of Hong Kong Limited for HK$206.6 million (including expenses). The details are disclosed under the Directors' Report section.

(d) The Company's warrants in an aggregate face value of HK$427.0 million expired on 13 July 2013. No warrants were exercised during the year.

According to the new Hong Kong Companies Ordinance that have commenced operation on 3 March 2014, all shares issued before the commencement date are deemed to have no par value and the amount standing to the credit of the Company's share premium account and capital redemption reserve account become part of the Company's share capital. The Company effected these changes on 3 March 2014.

39. ANALYSIS OF OTHER COMPREHENSIVE INCOME

	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Non-controlling interests HK$ Million	Total HK$ Million
For the year ended 31 December 2013						
Available-for-sale investments	**—**	**1.7**	**—**	**—**	**(1.5)**	**0.2**
Exchange differences arising on translating foreign operations	**90.0**	**—**	**—**	**—**	**67.9**	**157.9**
Reclassification adjustment on liquidation of subsidiaries	**31.6**	**—**	**—**	**—**	**—**	**31.6**
Reclassification adjustment on disposal of associates and joint ventures	**(9.4)**	**—**	**(0.9)**	**—**	**—**	**(10.3)**
Share of other comprehensive income of joint ventures	**—**	**38.6**	**—**	**—**	**—**	**38.6**
	112.2	**40.3**	**(0.9)**	**—**	**66.4**	**218.0**
For the year ended 31 December 2012						
Available-for-sale investments	—	(49.6)	—	—	—	(49.6)
Exchange differences arising on translating foreign operations	27.3	—	—	—	18.3	45.6
Reclassification adjustment on liquidation of subsidiaries	(0.4)	—	—	—	—	(0.4)
Share of other comprehensive income (expenses) of associates	—	—	0.1	(0.1)	—	—
	26.9	(49.6)	0.1	(0.1)	18.3	(4.4)

40. RESERVES OF THE COMPANY

	Company	
	2013	2012
	HK$ Million	HK$ Million
Share premium account		
Balance at 1 January	**7,235.3**	6,995.6
Issue of shares	**3.0**	239.7
Balance at 31 December	**7,238.3**	7,235.3
Capital redemption reserve		
Balance at 1 January	**63.7**	60.5
Transfer from retained earnings on repurchase of shares	**7.8**	3.2
Balance at 31 December	**71.5**	63.7
Equity element of warrants		
Balance at 1 January	**57.6**	57.6
Transfer to retained earnings	**(57.6)**	—
Balance at 31 December	**—**	57.6
Retained earnings		
Balance at 1 January	**2,931.4**	3,329.9
Profit attributable to owners of the Company	**360.7**	90.6
Cash and scrip dividends paid	**(468.0)**	(422.9)
Premium on shares repurchased	**(198.7)**	(63.0)
Transfer to capital redemption reserve on repurchase of shares	**(7.8)**	(3.2)
Forfeiture of unclaimed dividend	**0.6**	—
Transfer from equity element of warrants	**57.6**	—
Balance at 31 December	**2,675.8**	2,931.4
Total balance at 31 December	**9,985.6**	10,288.0

The distributable reserves of the Company at 31 December 2013 amounted to HK$621.7 million (31/12/2012: HK$377.4 million), being its net realised profits calculated under Section 79B of the Hong Kong Companies Ordinance.

41. COMMITMENTS

(a) Capital commitments

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Contracted for but not provided in the consolidated financial statements	**3.9**	35.9
Authorised but not contracted for	**—**	—
	3.9	35.9

(b) Operating leases commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Within one year	**185.2**	169.7
In the second to fifth year inclusive	**275.7**	273.6
Over five years	**55.4**	88.6
	516.3	531.9

The lease payments represent rentals payable by the Group for its office premises and office equipment under operating lease arrangements. The lease terms and rentals of properties are fixed at one to ten years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Within one year	**22.3**	19.5
In the second to fifth year inclusive	**19.5**	14.6
	41.8	34.1

The Group has properties leased to tenants for rental. The lease terms and rentals are fixed at three to four years.

41. COMMITMENTS *(CONTINUED)*

(c) Loan commitments

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Within one year	**1,170.3**	643.7

(d) Other commitments

At 31 December 2013, the Group had underwriting commitment of HK$237.6 million (31/12/2012: HK$146.1 million) in respect of open offer and rights issue and commitment for capital injection to an associate of HK$3.6 million (31/12/2012: Nil).

42. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had guarantees as follows:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Guarantees for banking facilities granted to a joint venture	**—**	5.8
Indemnities on banking guarantees made available to a clearing house and regulatory body	**4.5**	4.5
Other guarantees	**—**	3.0
	4.5	13.3

43. ASSETS PLEDGED

At the end of the reporting period, the carrying amount of assets pledged to banks and financial institutions as security for facilities granted to the Group were as follows:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Assets belonging to the Group		
— Listed securities pledged for banking facilities granted to the Group, at fair value	**9.3**	49.9
— Investment properties (Note 17)	**758.0**	478.0
	767.3	527.9
Assets belonging to clients*		
— Listed securities, at fair value	**1,350.1**	927.6
	2,117.4	1,455.5

* Based on the agreement terms, the Group is able to repledge clients' securities for margin financing arrangements with other financial institutions under governance of the Securities and Futures Ordinance. Securities belonging to clients are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of receivable outstanding exceeds the eligible margin value of securities deposited. The fair value of the listed securities at 31 December 2013 was HK$13,039.3 million (31/12/2012: HK$13,817.6 million). The collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. Margin clients receivable are repayable on demand and bear interest at commercial rates.

44. MATURITY PROFILE OF ASSETS AND LIABILITIES

	At 31 December 2013					
	On demand HK$ Million	Within 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	After 5 years HK$ Million	Total HK$ Million
Assets						
Bonds and notes included in financial assets at fair value through profit or loss	—	10.9	22.7	50.8	37.7	122.1
Loans and advances to consumer finance customers	995.6	1,858.3	3,749.1	2,625.0	815.5	10,043.5
Term loans	9.4	501.1	720.7	1,125.4	—	2,356.6
Fixed deposits with banks	—	1,469.7	502.0	—	—	1,971.7
Liabilities						
Renminbi denominated asset-backed bonds included in financial liabilities at fair value through profit or loss	—	—	—	(42.9)	—	(42.9)
Bank and other borrowings	(12.0)	(976.2)	(1,390.8)	(2,505.2)	—	(4,884.2)
Bonds and notes	—	—	(366.2)	(3,332.1)	—	(3,698.3)

	At 31 December 2012					
	On demand HK$ Million	Within 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	After 5 years HK$ Million	Total HK$ Million
Assets						
Bonds and notes included in financial assets at fair value through profit or loss	—	—	6.9	42.7	78.9	128.5
Loans and advances to consumer finance customers	836.6	1,271.5	3,128.1	2,363.3	694.3	8,293.8
Term loans	59.3	222.4	743.1	712.1	—	1,736.9
Fixed deposits with banks	—	1,728.2	405.6	—	—	2,133.8
Liabilities						
Bank and other borrowings	(12.0)	(1,347.4)	(1,704.8)	(1,276.8)	—	(4,341.0)
Bonds and notes	—	—	—	(3,194.3)	—	(3,194.3)

The above tables list the assets and liabilities based on the contractual maturity and the assumption that the repayment on demand clause will not be exercised. Overdue assets are reported as on demand.

45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debts divided by the equity. Net debts represents the total of bank and other borrowings, bonds and notes less bank deposits, cash and cash equivalents. The equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at the reporting date was as follows:

	Group	
	31/12/2013 HK$ Million	31/12/2012 HK$ Million
Bank and other borrowings	**4,884.2**	4,341.0
Bonds and notes	**3,698.3**	3,194.3
	8,582.5	7,535.3
Less: bank deposits, cash and cash equivalents	**(3,738.5)**	(5,035.3)
Net debts	**4,844.0**	2,500.0
Equity attributable to owners of the Company	**13,402.1**	12,863.0
Gearing ratio	**36.1%**	19.4%

46. FINANCIAL RISK MANAGEMENT

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes in markets, the Group's operating environment and business strategies. The Group's independent control divisions, e.g. Internal Audit and Compliance, play an important role in the provision of assurance to the Board and senior management that a sound internal risk management mechanism is implemented, maintained and adhered to.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk

(i) Equity Risk

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Trading activities, including market-making and proprietary trading, across the Group are subject to limits approved by the Risk Management Committee ("RMC"). Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair-value" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs regular checks to ensure there is adequate compliance in accordance with the established market risk limits and guidelines.

The table below summarises the overall financial impact on the Group arising from market movements in global equity indices. The analysis is based on the assumption that equity indices move ±20% with all other variables being held constant and all equity instruments undertaken by the Group moving simultaneously. Declines in the indices are expressed as negatives.

	At 31 December 2013				At 31 December 2012			
	Potential impact on profit or loss for the year		**Potential impact on other components of equity**		Potential impact on profit or loss for the year		Potential impact on other components of equity	
	20%	**-20%**	**20%**	**-20%**	20%	-20%	20%	-20%
	HK$ Million	**HK$ Million**	**HK$ Million**	**HK$ Million**	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Local Index	**22.2**	**(137.4)**	**30.0**	**(30.0)**	(11.9)	(68.9)	—	—
Overseas Index	**127.8**	**(127.8)**	**12.4**	**(12.4)**	87.3	(87.3)	13.8	(13.8)

There is no material financial impact in the form of profit before tax for the year for the Group arising from market movements in the global equity indices. Futures, options and knock-out options are hedged by other derivatives in view of the volatile markets and wide trading ranges.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(continued)*

(ii) Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates. The Group's interest rate risk exposure arises predominantly from margin financing, term financing and loans and advances to consumer finance customers. The Group possesses the legal capacity to initiate recalls efficiently which enables the timely re-pricing of margin loans to appropriate levels, in which those particularly large sensitive positions can readily be identified. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

At 31 December 2013, assuming that market interest rates moved by ±50 basis points (31/12/2012: ±50 basis points), the profit before tax for the year for the Group would have been HK$2.0 million lower or HK$5.4 million higher respectively (2012: HK$1.1 million higher or HK$4.8 million higher respectively). Assets and liabilities bearing interest below 50 basis points are excluded from 50 basis points downward movement.

The exposures of the Group's financial assets (liabilities) bearing variable interest rate to cash flow interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

	On demand or less than 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2013					
Loans and advances to consumer finance customers	**1,094.8**	—	—	—	**1,094.8**
Bank deposits, cash and cash equivalents	**1,396.1**	—	—	—	**1,396.1**
Bank and other borrowings	**(4,607.9)**	—	—	—	**(4,607.9)**
At 31 December 2012					
Loans and advances to consumer finance customers	914.2	—	—	—	914.2
Term loans	101.9	—	—	—	101.9
Bank deposits, cash and cash equivalents	2,676.5	—	—	—	2,676.5
Bank and other borrowings	(4,098.4)	—	—	—	(4,098.4)

As the analysis of the contractual repricing dates or contractual maturity dates is not meaningful in view of the nature of the business of margin financing, margin loans bearing variable interest rate of HK$3,918.7 million (31/12/2012: HK$3,286.7 million) are excluded from the above table.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(continued)*

(ii) Interest Rate Risk (continued)

The exposures of the Group's financial assets (liabilities) bearing fixed interest rate to fair value interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

	On demand or less than 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2013					
Loans and advances to consumer finance customers	**2,703.9**	**3,676.8**	**2,355.5**	**212.5**	**8,948.7**
Bonds and notes included in financial assets at fair value through profit or loss	**10.9**	**22.7**	**50.8**	**37.7**	**122.1**
Term loans	**510.5**	**720.7**	**1,125.4**	**—**	**2,356.6**
Bank deposits, cash and cash equivalents	**1,518.1**	**502.0**	**—**	**—**	**2,020.1**
Bank and other borrowings	**(72.3)**	**(161.7)**	**(42.3)**	**—**	**(276.3)**
Bonds and notes	**—**	**(366.2)**	**(3,332.1)**	**—**	**(3,698.3)**
At 31 December 2012					
Loans and advances to consumer finance customers	2,007.5	3,058.1	2,111.2	202.8	7,379.6
Bonds and notes included in financial assets at fair value through profit or loss	—	6.9	42.7	78.9	128.5
Term loans	183.2	739.7	712.1	—	1,635.0
Bank deposits, cash and cash equivalents	1,731.3	405.6	—	—	2,136.9
Bank and other borrowings	(27.0)	(215.6)	—	—	(242.6)
Bonds and notes	—	—	(3,194.3)	—	(3,194.3)

(iii) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, and loans and advances denominated in foreign currencies, mainly in Australian dollars and Renminbi. Foreign exchange risk is managed and monitored by the respective businesses in accordance with the limits approved by the Board and RMC. The risk arises from open currency positions are subject to management approved limits and are monitored and reported daily. The other source of foreign exchange risk arises from clients' inability to meet margin calls following a period of substantial currency turbulence.

At 31 December 2013, assuming that the foreign exchange rates moved ±5% (31/12/2012: ±5%) with all other variables held constant, the profit before tax for the year for the Group would have been HK$32.4 million (2012: HK$0.1 million) lower/higher.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit Risk

Credit risk arises from the failure of a customer or counterparty to meet settlement obligations. As long as the Group lends, trades and deals with third parties, there will be credit risk exposure.

The Group's credit policy, governed by the Credit Committee ("Credco"), sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission.

Day-to-day credit management is performed by the Credit Division with reference to the aforementioned criteria including creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. Decisions are made daily by Credit Division and are reported to and reviewed by the Executive Directors, senior management and Credco at its regular meetings.

The table below shows the maximum exposure to and concentration of credit risk. The maximum exposure is shown in gross value before the effect of mitigation through the use of collateral agreements. The percentage figure next to the gross value reflects its concentration.

	Group			
	31/12/2013 HK$ Million	**%**	31/12/2012 HK$ Million	%
Maximum credit exposure				
Loans and advances to consumer finance customers	**10,043.5**	**44%**	8,293.8	40%
Trade and other receivables	**7,616.0**	**33%**	6,231.2	30%
Bank deposits, cash and cash equivalents	**3,738.5**	**16%**	5,035.3	25%
Loan commitments	**1,170.3**	**5%**	643.7	3%
Underwriting commitments for open offer and rights issue	**237.6**	**1%**	146.1	1%
Bonds and notes included in financial assets at fair value through profit or loss	**122.1**	**1%**	128.5	1%
Amounts due from associates and joint ventures	**73.8**	**0%**	58.0	0%
Guarantees	**4.5**	**0%**	13.3	0%
	23,006.3	**100%**	20,549.9	100%

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit Risk *(continued)*

The maximum credit exposure at Group level is spread evenly between "trade and other receivables" and "loans and advances to consumer finance customers", which represented more than two thirds of the total exposure. "Trade and other receivables" consist of amount receivables from exchanges, brokers and clients, term loans, margin loans and other receivables items. The breakdown and its ageing analysis are disclosed in Note 31 to the consolidated financial statements. There are no major concerns on margin loans, as margin calls for equity trading have been tightened. Most clients have cut off their positions. The margin loan book of the Group remains at a low gearing level.

Loans with strategic clients are all properly authorised by the Credit Committee and with other controls in place to monitor their performance. As at 31 December 2013, any default of an individual loan will not be greater than 8.5% of the total loan portfolio and management considers that controls are adequate to monitor the performance of these loans.

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors, the Director of Banking & Treasury, the Chief Financial Officer and other relevant senior managers on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations while in compliance with statutory requirements such as the Hong Kong Financial Resources Rules.

46. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Liquidity Risk *(continued)*

The exposure of the Group's contractual undiscounted cash flow for financial liabilities and their contractual maturity dates are as follows:

	On demand or less than 90 days HK$ Million	91 days to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31 December 2013					
Bank and other borrowings+	**1,104.8**	**1,358.4**	**2,652.2**	**—**	**5,115.4**
Trade and other payables	**1,652.2**	**—**	**—**	**—**	**1,652.2**
Amounts due to fellow subsidiaries and a holding company	**25.7**	**—**	**—**	**—**	**25.7**
Amounts due to associates	**0.1**	**—**	**—**	**—**	**0.1**
Bonds and notes	**85.1**	**456.3**	**4,021.3**	**—**	**4,562.7**
Guarantees*	**4.5**	**—**	**—**	**—**	**4.5**
Financial liabilities at fair value through profit or loss	**103.7**	**—**	**—**	**—**	**103.7**
At 31 December 2012					
Bank and other borrowings+	1,486.1	1,707.0	1,226.1	—	4,419.2
Trade and other payables	1,160.0	—	—	—	1,160.0
Amounts due to fellow subsidiaries and a holding company	8.9	—	—	—	8.9
Amounts due to associates	0.1	—	—	—	0.1
Bonds and notes	85.5	105.4	3,874.4	—	4,065.3
Guarantees*	13.3	—	—	—	13.3
Financial liabilities at fair value through profit or loss	52.7	—	—	—	52.7

\+ Bank and other borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

* The amounts included above for guarantees are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees. None of the banking facilities related to the guarantees has been drawn down at the end of the reporting period. Based on expectations at the end of the reporting period, the Group considers that the amount will not be payable under the arrangement.

The Company's exposure to financial risks at the end of the reporting period is immaterial. Financial risk exposure at the Company level is mainly contributed by the amount due from its subsidiaries and associates and is managed by assessing the recoverability of the repayment from those subsidiaries and associates. The management monitors on a regular basis the availability of funds among the Group and the assets held by subsidiaries and associates are considered sufficient to cover the amount due from them. Hence, the Company's exposure to financial risks at the end of the reporting period is considered immaterial.

新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

MIX
Paper from
responsible sources
FSC
www.fsc.org
FSC® C007234