HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香 港 小 輪 (集 團) 有 限 公 司

(Stock Code 股份代號: 50)

ANNUAL REPORT 年報 2013


2012/13
This certificate is presented to
The Hongkong & Yaumati Ferry Co Ltd
香港油蔴地小輪船有限公司
2012/13
This certificate is presented to
The Hong Kong Shipyard Limited
香港船廠有限公司
Hong Kong Ferry (Holdings) Co. Ltd.
CARING
Industry CARES
工業獻愛心
Hong Kong Ferry (Holdings) Company Limited
香港小輪(集團)有限公司
HONG KONG Q-MARK SERVICE SCHEME
CERTIFICATE
HYFCO Travel Agency Limited
HONG KONG Q-MARK SERVICE SCHEME
CERTIFICATE
LRQA
CERTIFICATE OF APPROVAL
The Hong Kong Shipyard Limited
ISO 9001:2008
LRQA
CERTIFICATE OF APPROVAL
The Hongkong and Yaumati Ferry Company Limited
ISO 9001:2008
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香港社會服務聯會頒發
90th HKF

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Wong Man Kong, Peter

Independent Non-executive Directors:

Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman *(Chairman)*
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

REMUNERATION COMMITTEE

Mr. Wu King Cheong *(Chairman)*
Mr. Lam Ko Yin, Colin
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Ir. Dr. Ho Chi Shing, David

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

AUDITOR

KPMG

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

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Website : www.hkf.com
E-Mail : hkferry@hkf.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Directors' and Senior Management's Profile

DIRECTORS' PROFILE

Mr. Lam Ko Yin, Colin, *FCILT, FHKIoD,* aged 62, was appointed on 1 July 1986, is the Chairman of the Company. Mr. Lam has over 40 years' experience in banking and property development. He is also a Vice-Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and was a member of the Court of The University of Hong Kong until 12 December 2012. Mr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

Mr. Lam Ko Yin, Colin
Chairman

Mr. Li Ning, *BSc, MBA,* aged 57, was appointed on 20 October 1989, is an Executive Director of the Company. Mr. Li is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land"), a listed public company. He previously served as an Executive Director of Henderson Investment Limited, until his retirement on 1 June 2010 and ceased to act as an Independent Non-executive Director of Glencore International plc on 2 May 2013, both of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Non-executive Director of the Company.

Mr. Li Ning

Directors' and Senior Management's Profile (Continued)

Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 67, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au is a well-known banker in Hong Kong and has more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land") (as re-designated on 18 December 2012) and The Wharf (Holdings) Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr. Au was previously an independent non-executive director of Wheelock and Company Limited, a listed public company, until 22 October 2012. An accountant by training, he is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. As at 31 December 2013, Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 67, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 40 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Miramar Hotel and Investment Company, Limited, both of which are listed public companies. He previously served as an Executive Director of Henderson Investment Limited, a listed public company, until his retirement on 9 June 2011. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Directors' and Senior Management's Profile (Continued)

Dr. the Hon. Lee Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon),* aged 85, was appointed on 15 December 1981, is a Non-executive Director of the Company. He has been engaged in property development in Hong Kong for more than 55 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, the Chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited ("Miramar") and the Vice-Chairman of Sun Hung Kai Properties Limited. All the above companies are listed public companies. He will resign as the chairman of Miramar and be re-designated as non-executive director of Miramar on 12 June 2014. He resigned as an Independent Non-executive Director of The Bank of East Asia, Limited, a listed public company, on 24 April 2013. Dr. Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Pataca, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning, an Executive Director of the Company.

Dr. the Hon. Lee Shau Kee

Mr. Wong Man Kong, Peter, *BBS, JP, BSc, FCILT, MRINA,* aged 65, was appointed on 9 March 1992, is a Non-executive Director of the Company. Mr. Wong was the President and Chief Executive Officer of the Company from 1992 to 1995. Mr. Wong has over 41 years of industrial, commercial and public service experience, having served as Director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee in 1996/1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. He is serving as a deputy to the 12th National People's Congress of the People's Republic of China. Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited. Currently he holds directorship of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments, Limited, Sun Hung Kai & Co. Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited and MGM China Holdings Limited, all of which are listed public companies.

Mr. Wong Man Kong, Peter

Directors' and Senior Management's Profile (Continued)

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA,* aged 58, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 22 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies. He was previously a director of Taifook Securities Group Limited. Mr. Ho previously served as a director of CITIC Pacific Limited, until 12 May 2011 and an independent non-executive director of Starlight International Holdings Limited, until his retirement on 26 August 2013, both of which are listed public companies.

Mr. Leung Hay Man

Mr. Leung Hay Man, *FRICS, FCIArb, FHKIS,* aged 79, was appointed on 15 December 1981, and was re-designated as an Independent Non-executive Director of the Company on 15 October 2012. He is a Chartered Surveyor. Mr. Leung was also re-designated as an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited on 22 August 2012 and is an Independent Non-executive Director of The Hong Kong and China Gas Company Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Directors' and Senior Management's Profile (Continued)

Ms. Wong Yu Pok, Marina, *JP,* aged 65, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including the Advisory Committee on Social Work Training and Manpower Planning, Lump Sum Grant Independent Complaints Handling Committee of the Social Welfare Department and is the Chairman of The Applied Research Council. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women, a director of China Tibetan Children Health & Education Fund and a director of The Child Development Centre at Matilda. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited and Kerry Logistics Network Limited, all of which are listed public companies in Hong Kong and an independent director of China World Trade Center Co. Ltd, which is listed on the Shanghai Stock Exchange.

Ms. Wong Yu Pok, Marina

Mr. Wu King Cheong, *BBS, JP,* aged 63, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. Mr. Wu is currently an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Mr. Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed public company, until 27 October 2011. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

Mr. Wu King Cheong

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Ir. Dr. Ho Chi Shing, David	Group General Manager and General Manager – Ferry and Property Operations
Mr. Fan Chi Ming, Paul	General Manager – Travel & Cruise Operations
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Tse Chuen Chi, Pollux	Chief Financial Officer
Mr. Wong Kam Chuen, Terence	Deputy General Manager – Finance and Accounts
Mr. Yuen Wai Kuen, Peter	Company Secretary

Ir. Dr. Ho Chi Shing, David, *JP, DBA, FCILT, FCIM, FHKIoD, MHKIE, MPIA, MCIArb,* aged 57, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 33 years of experience in ferry operations. Dr. Ho is currently the Chairman of the Logistics Industry Training Advisory Committee, the convener of Logistics Industry Consultative Network of Employees Retraining Board, a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxembourg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong, the Chairman of Adventure-Ship, a member of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a member of the Standing Committee on Language Education and Research, a member of the Safety Committee of Outward Bound® Hong Kong, and a board member of The Hong Kong Sea School. Dr. Ho has been extensively involved in works of the Vocational Training Council and was awarded VTC Honorary Fellow Award in 2007. He is the Chairman of the Transport Logistics Training Board. Dr. Ho is also a General Committee Member and the Chairman of the Transport and Logistics Services Council of the Federation of Hong Kong Industries. He has been appointed as adjunct professor at the College of Business of City University of Hong Kong. Dr. Ho has been appointed a Justice of the Peace with effect from 1 July 2013.

Mr. Fan Chi Ming, Paul, *BCS, DMS, MBA,* aged 65, joined the Company as Head of Group Business Development in 2010. He has been the General Manager of the travel and cruise operations since 2011. He has previously worked in Hong Kong Trade Development Council and has over 23 years of extensive experience in China trade and business promotion.

Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, CBM, PgD,* aged 52, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 24 years of experience in accounting, auditing and management assurance.

Mr. Tse Chuen Chi, Pollux, *MBA, CPA, FAIA, MHKSI,* aged 60, has been the Chief Financial Officer of the Company since 1992. Mr. Tse has over 32 years of experience in accounting, corporate finance and corporate development in Hong Kong and overseas.

Mr. Wong Kam Chuen, Terence, *MCF, BA(Hons), FCCA, CPA, ACIS, ACS*, aged 45, has been the Deputy General Manager of Finance and Accounts Department of the Company since September 2013. He joined the Company in 1995 as Assistant Internal Auditor and was then appointed as Accounting Manager until August 2013. He is a fellow of The Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries. He has many years' experience in accounting, auditing and corporate finance.

Mr. Yuen Wai Kuen, Peter, *BA(Hons), MBA, FCIS, FCS, FFA,* aged 55, has joined the Company in January 2005 and been appointed Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the changes in information of Directors of the Company are required to be disclosed shown as follows:

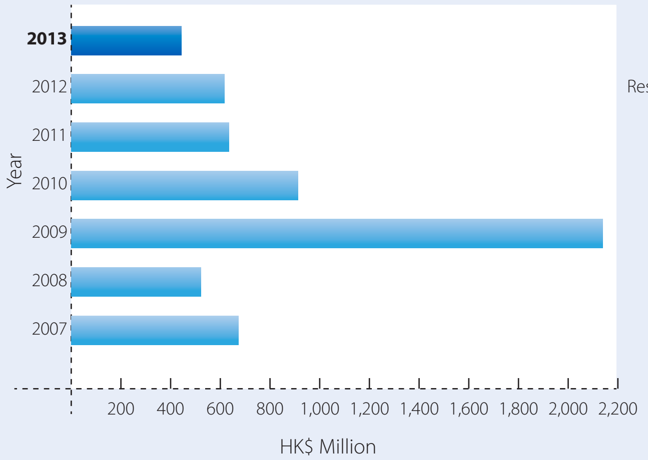
Name of Director	Details of Changes
Mr. Ho Hau Chong, Norman	Retired as an independent non-executive director and ceased to act as the Chairman and member of the Audit Committee of the Board of Starlight International Holdings Limited* on 26 August 2013.
Ms. Wong Yu Pok, Marina	Appointed as an independent non-executive director and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of Luk Fook Holdings (International) Limited* on 20 August 2013.
	Appointed as an independent non-executive director, the Chairman of the Audit and Compliance Committee and a member of each of the Remuneration Committee and Nomination Committee of Kerry Logistics Network Limited* on 25 November 2013.

* A company whose shares are listed on the Main Board of the Stock Exchange.

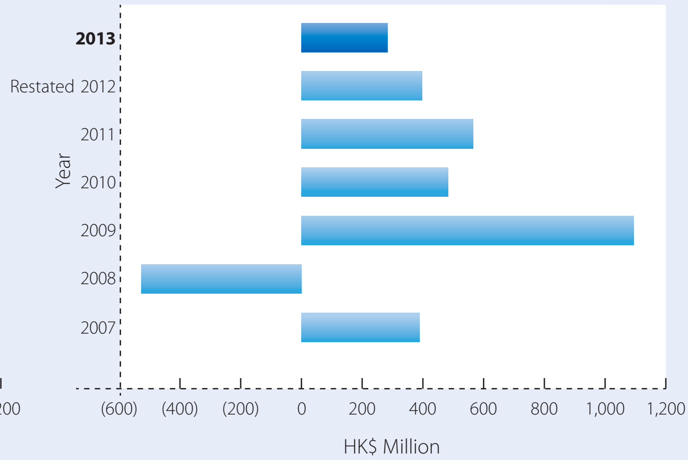
Financial Highlights

		2013	2012 Restated	Variance
Turnover	HK$M	**440**	616	-28.6%
Profit attributable to shareholders	HK$M	**293**	397	-26.2%
Dividends	HK$M	**128**	128	–
Shareholders' funds	HK$M	**5,187**	5,143	0.9%
Basic earnings per share	HK$	**0.82**	1.11	-26.1%
Dividend per share	HK Cents	**36.0**	36.0	–
Dividend cover	Times	**2.3**	3.1	-25.8%
Return on equity	%	**5.7**	7.7	-26.0%
Net assets per share	HK$	**14.6**	14.4	1.4%

Group Turnover



Profit/(loss) attributable to shareholders



Chairman's Statement

I am pleased to present to the shareholders my report on the operations of the Group for the year ended 31 December 2013.

Green Code, No. 1 Ma Sik Road, Fanling, New Territories (Artist's impression)

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2013 amounted to approximately HK$293 million, a decrease of 26% as compared with the profit after taxation of HK$397 million (restated) last year. The earnings per share this year were HK$0.82 compared with the earnings per share of HK$1.11(restated) in the previous year.

DIVIDENDS

The Board of Directors recommends the payment of a final dividend for the year ended 31 December 2013 of HK26 cents per share. Subject to shareholders' approval at the annual general meeting to be held on Friday, 23 May 2014, the final dividend will be paid on or about Thursday, 12 June 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, 4 June 2014. The final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK36 cents for the full year.

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Shining Heights and The Spectacle, rental income, surplus from revaluation of investment properties and gain from sale of securities investment. As disclosed by the Company in an announcement published on 2 January 2014, the occupation permit of Green Code at No.1 Ma Sik Road, Fanling was not obtained by 31 December 2013 due to delay in the progress of construction, and needed to be postponed to 2014. Accordingly, the relevant sale revenue has not been recognised in the consolidated profit and loss account of the Group for the financial year of 2013.

Property Development and Investment Operations

During the year under review, the Group's rental and other income from commercial arcades and sale proceeds of properties amounted to a total of approximately HK$121 million. The commercial arcades of Metro Harbour View and Shining Heights were fully let whereas the occupancy rate of the commercial portion of The Spectacle at the year end was about 60%.

Despite the imposition by the Hong Kong government of Double Stamp Duty during the year, the sale of the Group's Green Code project proceeded satisfactorily with firm prices. A total of 691 units was sold up to the year end date, representing 95% of the saleable units, demonstrating that there is good demand on residential units which meet market needs and are well designed.

The structure of Hung Hom Inland Lot No. 555 at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom has been built up to the sixth floor. The sale of the project is expected to be launched this year. The residential-cum-commercial tower will provide a total gross floor area of approximately 56,000 sq. ft. and comprise 95 residential units.

Foundation works of the property at 208 Tung Chau Street has been completed. As disclosed by the Company in an announcement published on 16 May 2013, the progress of the project may be delayed due to a ruling in favour of The Secretary of Justice on appeal against Fully Profit (Asia) Limited (an independent third party to the Company and its directors) in a case of the Court of Final Appeal of Hong Kong regarding the meaning of the word "house" under the Government lease. The Company is still liaising with the relevant government authorities on clarification of the term and will make further announcements and keep shareholders informed of further developments as and when necessary.

Harbour Cruise – Bauhinia

Hong Kong Shipyard

Ferry, Shipyard and Related Operations

The Ferry, Shipyard and related operations achieved an increase of 21% in operating profit to HK$34 million as compared with last year. The increase was mainly due to the sale of two oil barges during the year.

Travel Operation

Due to the occurrence of avian flu in China and the anti-government protests in Thailand during the year, the operating results of Travel Operation regressed to a deficit of HK$3.3 million this year.

Securities Investment

The Group recorded a surplus of HK$104 million on disposal of certain securities investments in the year of 2013.

PROSPECTS

The US economy grew at 2.5% in the fourth quarter of 2013. Unemployment rate further dropped to 6.7%. The Federal Reserve responded by announcing the reduction of bond purchases, causing the financial markets worldwide to worry about credit tightening. However, in the light of the US and European economies still being in the recovery phase, short to medium term interest rates are not expected to increase substantially. Low rates are beneficial to local home buyers seeking mortgage loans.

In an attempt to regulate the economy, Premier Li Keqiang announced at the closing ceremony of the 12th National People's Congress of the People's Republic of China in March that the target of economic growth in 2014 was set at around 7.5% and inflation rate around 3.5%. These parameters are expected to bring about steady growth. Some investors, however, turn cautious on their outlook for China by citing insufficient growth momentum, bad debts in shadow banking and the need for the Renminbi to depreciate.

In Hong Kong, the economy benefited tremendously from the arrival of mainland tourists, which number increased to 54 million in 2013, representing 11.7%. Shopping, accommodation and dining bring about significant contributions and their consumption is vital to the local economy. Any policy to limit the number of mainland visitors needs to be handled with care. In respect of the local property sector, the year of 2013 witnessed a decrease of 15% to 11,046 in the number of transactions in primary domestic property market, owing to policies such as increased stamp duty. The slack trend of the property market is expected to continue this year.

The Chief Executive proposed in his 2014 Policy Address to increase housing supply to 470,000 units in the coming ten years. With increased land supply by the government, the Group wishes to purchase development sites at suitable time to replenish the land bank. The Group plans to continue to sell the remaining units of "Green Code" and launch the sale of Hung Hom Bulkeley Street property this year. Barring unforeseen circumstances, Green Code will bring promising sales return to the Group this year if the occupation permit can be procured on time.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the year.

Lam Ko Yin, Colin
Chairman

Hong Kong, 18 March 2014

Management Discussion and Analysis

The following comments should be read in conjunction with the Audited Consolidated Accounts of the Company and the related notes to the accounts.

REVIEW OF RESULTS

The Group's turnover for the year amounted to approximately HK$440 million, representing a decrease of 29% when compared to the previous year. This was mainly attributed to the decrease in the sales of residential units of Shining Heights.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2013, shareholders' fund of the Group showed a slight increase of around 1% as compared to the previous year and amounted to approximately HK$5,187 million. The increase was mainly due to net effect of the profit realised from the sale of residential units of Shining Heights and The Spectacle, the gains on revaluation of the Group's investment properties, gains on the disposal of securities investment and the payment of dividends.

There was no change as to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the sale of residential units of Shining Heights and Green Code.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK$5.2 million was received from an associate which provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK$6,610 million as compared to the current liabilities of approximately HK$3,198 million as of 31 December 2013. Current ratio of the Group had been decreased to 2.1, mainly attributed to the increase in trade and other payables.

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2013, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar. Certain deposits are denominated in Renminbi, and the incidental foreign exchange exposures are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

EMPLOYEES

As at 31 December 2013, the number of employees of the Group stood at about 300 (2012: 310). The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK$86 million, which was commensurate with that recorded in the previous year.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2013.

PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses, travel operation and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year are set out in note 3 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the financial year is as follows:

	Percentage of the Group's total purchases
The largest supplier	60.5%
Five largest suppliers in aggregate	70.0%

Henderson Land Development Company Limited ("HLD"), through its subsidiaries, was one of the Group's five largest suppliers during the financial year. As at 31 December 2013, HLD, a substantial shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company, which indirectly holds approximately 33.33% of the issued share capital of the Company.

No analysis in respect of the Group's major customers is shown as the percentage of turnover attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2013 are set out in note 14 to the accounts.

ACCOUNTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 44 to 122.

An interim dividend of HK10 cents (2012: HK10 cents) per share was paid on 27 September 2013. The Board of Directors now recommend the payment of a final dividend of HK26 cents (2012: HK26 cents) per share in respect of the year ended 31 December 2013. Subject to the shareholders' approval at the annual general meeting to be held on Friday, 23 May 2014 (the "2014 AGM"), the final dividend will be paid on or about Thursday, 12 June 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, 4 June 2014.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$6,680 (2012: HK$12,422).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the accounts.

DIRECTORS

The directors of the Company during the year ended 31 December 2013 and up to the date of this report were:

Executive Directors

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Wong Man Kong, Peter

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Au Siu Kee, Alexander, Mr. Leung Hay Man, Mr. Wu King Cheong and Ms. Wong Yu Pok, Marina shall retire at the forthcoming AGM, and, being eligible, offer themselves for re-election as directors.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management are set out on pages 3 to 8 of the annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of Directors' and Chief Executive's remuneration are set out in note 7 to the accounts.

DIRECTORS' INTEREST IN CONTRACTS

Except for the "Connected Transactions" as disclosed in this report, no other contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2014 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2013, the interests and short positions of the directors in securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under Section 352 of the SFO were as follows:

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Interests

	THE COMPANY				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of total issued shares**
Mr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	799,220	118,732,090 (Note 6 on page 20)	–	119,531,310	33.55%
Mr. Leung Hay Man	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	118,732,090 (Note 5 on page 19)	118,732,090	33.33%
Mr. Wong Man Kong, Peter	1,051,000	–	–	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

	2OK COMPANY LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 1)*	5	–
Mr. Li Ning *(Note 2)*	–	5

	WINWIDE LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 3)*	70	–
Mr. Li Ning *(Note 4)*	–	70

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 5 shares in 2OK Company Limited.

2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest. HD beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2013.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2013, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	No. of shares in which interested	Approximate percentage of total issued shares
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	118,732,090	33.33%
Pataca Enterprises Limited *(Note 1)*	70,200,000	19.70%
Wiselin Investment Limited *(Note 2)*	48,532,090	13.62%
Max-mercan Investment Limited *(Note 2)*	48,532,090	13.62%
Camay Investment Limited *(Note 2)*	48,532,090	13.62%
Henderson Development Limited *(Note 3)*	118,732,090	33.33%
Hopkins (Cayman) Limited *(Note 4)*	118,732,090	33.33%
Rimmer (Cayman) Limited *(Note 4)*	118,732,090	33.33%
Riddick (Cayman) Limited *(Note 4)*	118,732,090	33.33%
Mr. Li Ning *(Note 5)*	118,732,090	33.33%
Dr. Lee Shau Kee *(Note 6)*	119,531,310	33.55%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

Notes:

All shares referred to below, unless otherwise stated, form part of the same parcel of 118,732,090 shares.

1. These 118,732,090 shares were beneficially owned by some of the subsidiaries of Henderson Land Development Company Limited ("HLD"). Of these 118,732,090 shares, 70,200,000 shares were owned by some of the subsidiaries (viz., Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, each of which owned 23,400,000 shares) of Pataca Enterprises Limited, which was itself a subsidiary of HLD.

2. These 48,532,090 shares, which constitute part of the said 118,732,090 shares, were beneficially owned by Wiselin Investment Limited which was a subsidiary of Max-mercan Investment Limited. Max-mercan Investment Limited was a subsidiary of Camay Investment Limited ("Camay") which in turn was a subsidiary of HLD.

3. These 118,732,090 shares are duplicated in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD which was, in turn, the holding company of Camay.

4. These 118,732,090 shares are duplicated in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

5. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 118,732,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 118,732,090 shares are duplicated in the interests described in Notes 1, 2, 3 and 4.

SUBSTANTIAL SHAREHOLDERS AND OTHERS (Continued)

6. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 118,732,090 shares which are duplicated in the interests described in Notes 1, 2, 3 and 4. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,531,310 shares (approximately 33.55% of the total issued share capital of the Company) as at 31 December 2013.

Save as disclosed, as at 31 December 2013, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK$293,437,000 (2012 (restated): HK$397,244,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the accounts.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

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

FINANCIAL SUMMARIES

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 123 to 125 of the annual report.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 126 and 127 of the annual report.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 17 to the accounts.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 28 to the accounts.

Continuing Connected Transactions

During the year ended 31 December 2013 and up to the date of this report, the Company and/or its subsidiaries had entered into certain continuing connected transactions, with details below, which were subject to the annual review and reporting requirements under Chapter 14A of the Listing Rules.

	Date	Connected Persons	Transactions
1.	15 March 2011	Henderson Real Estate Agency Limited ("HREAL"), a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD")	The Group entered into the Fanling Project Management Agreement with HREAL for the appointment of HREAL as the project manager of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the "Fanling Property").
	11 January 2013	HREAL and Henderson Property Agency Limited ("HPAL"), a wholly-owned subsidiary of HREAL	The Group entered into the Supplemental Fanling Project Management Agreement with HREAL and HPAL to revise the maximum annual aggregate amounts of the Fanling Project Management Fee during the term of the Fanling Project Management Agreement and to transfer and novate the rights and obligations of HREAL regarding the project sales and marketing services to HPAL.
2.	15 March 2011	Heng Lai Construction Company Limited ("Heng Lai"), a wholly-owned subsidiary of HLD	The Group entered into the Fanling Prime Cost Contract with Heng Lai for the appointment of Heng Lai as the main contractor of the development of the Fanling Property.
3.	15 March 2011	HREAL	The Group entered into the TCS Project Management Agreement with HREAL for the appointment of HREAL as the project manager of the development of 208 Tung Chau Street (formerly known as 204-214 Tung Chau Street), Sham Shui Po, Kowloon, Hong Kong (the "TCS Property").
	11 January 2013	HREAL and HPAL	The Group entered into the Supplemental TCS Project Management Agreement with HREAL and HPAL to revise the maximum annual aggregate amounts of the TCS Project Management Fee during the term of the TCS Project Management Agreement and to transfer and novate the rights and obligations of HREAL regarding the project sales and marketing services to HPAL.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

	Date	Connected Persons	Transactions
4.	15 March 2011	Heng Tat Construction Company Limited ("Heng Tat"), a wholly-owned subsidiary of HLD	The Group entered into the TCS Prime Cost Contract with Heng Tat for the appointment of Heng Tat as the main contractor for the development of the TCS Property.
	11 January 2013	Heng Tat	The Group entered into the Supplemental TCS Prime Cost Contract with Heng Tat to revise the maximum annual aggregate amounts of the TCS Prime Costs and Fees payable during the term of the TCS Prime Cost Contract.
5.	5 July 2011	Citistore (Hong Kong) Limited ("Citistore"), a wholly-owned subsidiary of HLD	The Group (by HREAL as agent) entered into the Tenancy Renewal Agreement with Citistore as tenant for renewing the tenancy of Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, and Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong. The Group (by HREAL as agent) also entered into a Wall Signage Licence Agreement and an Entrance Signage Licence Agreement with Citistore as licensee for licensing fourteen external wall signages and one signage at the entrance of MHP, respectively. The Tenancy Renewal Agreement, the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are for a term of three years commencing from 1 July 2011.
6.	3 February 2012	Granbo Construction Company Limited ("Granbo"), a wholly-owned subsidiary of HLD	The Group entered into a binding letter of intent with Granbo for the appointment of Granbo as the contractor of the proposed development of the TCS Property and the Group revised the maximum annual aggregate amounts of substructure contract sums payable under the aforesaid letter on 11 January 2013.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

	Date	Connected Persons	Transactions
7.	20 March 2012	HREAL and Miramar Hotel and Investment Company, Limited ("Miramar"), of which HLD is a substantial shareholder	The Group entered into a letter agreement with HREAL to lease certain shops and spaces of Miramar Shopping Centre (the "Premises") for the marketing services of the Fanling Property for the period from 20 March 2012 to the earlier of 15 June 2013 and the date on which the last residential unit of the Fanling Property is sold. The Group was the principal and HREAL acted as agent of the Group under the Miramar/HREAL Agreements entered into between Shahdan Limited ("Shahdan"), a wholly-owned subsidiary of Miramar and HREAL, being (i) the Renewal Tenancy Agreement, (ii) the Renewal First Licence Agreement, and (iii) the Renewal Second Licence Agreement, all as disclosed in the announcement of Miramar dated 7 December 2010. The letter agreement expired on 15 June 2013.
	20 August 2013	HPAL and Miramar	The Group entered into a letter agreement with HPAL to lease the Premises for the continuation of the marketing services of the Fanling Property for the period from 16 June 2013 to the earlier of 15 October 2013 and the date on which the last residential unit of the Fanling Property is sold. The Group was the principal and HPAL acted as agent of the Group under the Miramar/HPAL Agreements entered into between Shahdan and HPAL, being (i) the Renewal Tenancy Agreement, (ii) the Renewal First Licence Agreement, and (iii) the Renewal Second Licence Agreement, all as disclosed in the announcement of Miramar dated 6 June 2013. The letter agreement expired on 15 October 2013.
	12 December 2013	HPAL and Miramar	The Group entered into a letter agreement with HPAL to lease the Premises for the continuation of the marketing services of the Fanling Property for the period from 16 October 2013 to the earlier of 31 December 2013 and the date on which the last residential unit of the Fanling Property is sold. The Group continued to act as the principal and HPAL continued to act as agent of the Group under the Miramar/HPAL Agreements entered into between Shahdan and HPAL, being (i) the Renewal Tenancy Agreement, (ii) the Renewal First Licence Agreement, and (iii) the Renewal Second Licence Agreement, all as disclosed in the announcement of Miramar dated 6 June 2013. The letter agreement expired on 31 December 2013.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

	Date	Connected Persons	Transactions
8.	5 September 2013	HREAL	The Group entered into the Hung Hom Project Management Agreement with HREAL for the appointment of HREAL as the project manager of the development of Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong (the "Hung Hom Property").
9.	24 December 2013	HPAL	The Group entered into the Hung Hom Sales Management Agreement with HPAL for the appointment of HPAL as the sales manager of the Hung Hom Property.

Details of the above continuing connected transactions are set out in note 28 to the accounts.

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions entered during the year ended 31 December 2013 have been entered into (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions entered during the year ended 31 December 2013 (i) have received the approval of the Board of Directors of the Company; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the 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 25 to 38.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2013 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2014 AGM.

On behalf of the Board

Lam Ko Yin, Colin
Chairman

Li Ning
Director

Hong Kong, 18 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Board of Directors (the "Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

The corporate governance practices of the Company is formulated in compliance with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code. In the opinion of the Board, the Company has complied with the code provisions throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

Responsibility and delegation

The Board is responsible for considering and deciding on matters covering overall Group strategies, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointments or re-appointments, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the Articles of Association of the Company and the Board will from time to time delegate the functions to the management whenever required. The Board is primarily responsible for the strategic planning and policy formulation of the Company. Several material matters are reserved for the Board's considerations and/or decisions including, among other things, overall strategy of the Company; business plans; annual financial budgets; annual and interim results and reports; dividend policy and payments; investment plans; disposal proposals; appointment of directors; oversight of management and review of the effectiveness of the internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their respective training programmes and budget. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board has established board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

The Board has delegated the day-to-day management of the Company's business to the senior management, and focuses its attention on matters affecting the Company's long term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

Decisions relating to the aforesaid matters and any acquisitions or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceed the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board.

The Board meets from time to time according to the business requirement of the Company. During the year, four board meetings were held to review financial results and business development. In order to meet tight time constraints and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association of the Company. Directors' attendance by electronic means including telephone conferencing is counted as attendance at a physical board meeting. The Company Secretary shall attend all regular board meetings to advise on statutory compliance and corporate governance, when necessary.

BOARD OF DIRECTORS (Continued)

Responsibility and delegation (Continued)

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, and budget, to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

BOARD COMPOSITION

The Board comprises ten directors including two executive directors, four non-executive directors and four independent non-executive directors. The names of the Directors of the Company are as follows:

Executive Directors

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Wong Man Kong, Peter

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" of this annual report on pages 3 to 7.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the issued share capital of the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee, Messrs. Lam Ko Yin, Colin, Li Ning, Au Siu Kee, Alexander, Lau Yum Chuen, Eddie, Leung Hay Man and Wu King Cheong are directors of Henderson Land Development Company Limited ("HLD"). Messrs. Leung Hay Man, Wu King Cheong and Au Siu Kee, Alexander are independent non-executive directors of HLD. HLD has discloseable interests under the provisions of the SFO in the Company.

Prior to the implementation of the new code provision in Board Diversity in September 2013, the Company has already complied and adopted the board diversity policy (the "Board Diversity Policy") setting out the approach to achieve diversity on the Board in August 2013. The Nomination Committee of the Company will monitor the implementation of the Board Diversity Policy and review the policy as appropriate.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee of the Company (the "Nomination Committee") has been established on 20 March 2012 to review the structure, size and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account that person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

Mr. Wu King Cheong, who was appointed as Independent Non-executive Director of the Company since January 2005, has served as Independent Non-executive Director of the Company for more than nine years. Mr. Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. During his tenure of office, Mr. Wu has been able to fulfill all the requirements regarding independence of independent non-executive director and provide annual confirmation of independence to the Company under Rule 3.13 of the Listing Rules. The Board will continue to review the independence of Mr. Wu annually.

Besides, during his tenure of office, Mr. Wu has been providing objective and independent views to the Company over the years, and he remains committed to his independent role. The Board concurs with the view of the Nomination Committee that the long service of Mr. Wu would not affect his exercise of independent judgement and is satisfied that Mr. Wu has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director, and the Board thus recommends Mr. Wu for re-election at the annual general meeting to be held on Friday, 23 May 2014 (the "2014 AGM").

The Nomination Committee and the Board also noted that Mr. Wu is also an independent non-executive director of HLD, Henderson Investment Limited and Miramar Hotel and Investment Company, Limited ("Miramar"), all of which are listed public companies. Mr. Wu has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Board considers Mr. Wu to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years and served as common directors with the aforesaid three listed public companies. Accordingly, Mr. Wu will retire by rotation in accordance with the Articles of Association at the 2014 AGM. His further appointment should be subject to a separate resolution to be approved by shareholders.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

According to the Articles of Association of the Company, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

In accordance with the Articles of Association of the Company, no director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders.

In addition, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company (the "Shareholders") to propose a person for election as a Director are available and accessible on the Company's website (www.hkf.com) and to the section of "Procedures for Shareholders to propose a person for election as a director" in this Corporate Governance Report on page 37.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances effect.

The role of the Chairman of the Board is taken by Mr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Ir. Dr. Ho Chi Shing, David. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10(2), and 3.10A of the Listing Rules. Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three independent non-executive directors and Rule 3.10(2) of the Listing Rules requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.10A of the Listing Rules requires that an issuer must appoint independent non-executive directors representing at least one-third of the board.

All non-executive directors (including independent non-executive directors) of the Company have been appointed for a specific term to 31 December 2016. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Company's Articles of Association.

The Chairman, even though he is an Executive Director, held a meeting with all Non-executive Directors (including all Independent Non-executive Directors) without the presence of another Executive Director during the year.

CONFIRMATION OF INDEPENDENCE

The Board has received confirmation of independence from each of Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong pursuant to Rule 3.13 of the Listing Rules.

All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

The Nomination Committee and the Board noted that Mr. Ho is an executive director of Miramar and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an independent non-executive director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team.

Mr. Leung Hay Man had certain services rendered in the past falling within the independence guideline in Rule 3.13(3) of the Listing Rules, and had/has previous/existing directorships falling within the independence guideline in Rule 3.13(7) of the Listing Rules, among the factors affecting independence:

CONFIRMATION OF INDEPENDENCE (Continued)

Mr. Leung owns a company (the "Consultancy Co") which used to provide general consultancy services to the Company for certain years. The Consultancy Co has stopped providing services to the Company and no service fee has been paid by the Company to it from June 2012. Given that the consultancy fee paid by the Company was insignificant and immaterial, the Company considers that such services rendered in the past have no bearing on his independence.

Having regard that the non-executive directorships of Mr. Leung involved no active management role in the Company, HLD and Henderson Investment Limited and that Mr. Leung has been re-designated as an independent non-executive director of each of HLD and Henderson Investment Limited from August 2012, the Company considers that the previous non-executive roles of Mr. Leung in the Company, HLD and Henderson Investment Limited have no bearing on his independence as an Independent Non-executive Director of the Company.

In conclusion, the Board considers Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong as independent.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "Companies Ordinance") and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend two in-house workshops with distinguished speakers from the legal fields on topics of legal, compliance and corporate governance.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

According to the records maintained by the Company, the current Directors received the following training(s) in compliance with the new requirement of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2013:–

BOARD OF DIRECTORS	Type of trainings
Executive Directors	
Mr. Lam Ko Yin, Colin *(Chairman of the Board)*	a, b
Mr. Li Ning	a, b
Non-executive Directors	
Mr. Au Siu Kee, Alexander	a, b, c
Mr. Lau Yum Chuen, Eddie	a, b
Dr. Lee Shau Kee	a, b
Mr. Wong Man Kong, Peter	a, b
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	a, b, c
Mr. Leung Hay Man	a, b
Ms. Wong Yu Pok, Marina	a, b, c
Mr. Wu King Cheong	a, b

a: corporate governance
b: regulatory
c: accounting and finance

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

BOARD COMMITTEES

The Board has established three board committees, namely, Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Audit Committee setting out its authorities, duties and responsibilities are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The major duties and responsibilities of the Audit Committee of the Company is primarily responsible for review of the annual and interim results and oversight of the Company's financial reporting principles and practices; to recommend the appointment and re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor. The Audit Committee oversees internal control system of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function of the Group. The Audit Committee also oversees the risk management of the Group and discusses with the external auditor on financial reporting and compliance. The external auditor is invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and final results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and its corresponding accounts for the year 2013, the Annual Internal Audit Report for 2013, Continuing Connected Transactions, the Report on Training Budget for Accounting Staff 2013, the interim results and its corresponding accounts for the six months ended 30 June 2013, the Interim Review of Audit Assignments for 2013 and the works of the Company's internal audit department and assessed the effectiveness of the Company's systems of risk management and internal control. The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

As a recommended best practice under the Code, the Company has adopted a whistle blowing policy. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises four Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man and Ms. Wong Yu Pok, Marina and two Executive Directors namely Mr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee is responsible for reviewing the policy and structure for the remuneration of all Directors and senior management of the Company, assessing performance of executive directors and establishment of a formal and transparent procedure for developing policy on such remuneration.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The remuneration of the Directors and senior management is determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the remuneration package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, etc.

During the year, one remuneration committee meeting was held. During the meeting, the Remuneration Committee members reviewed and determined the remuneration package of the senior management and made recommendations on the fees of all the directors of the Company for the financial year ended 31 December 2013.

The summary of the work performed by the Remuneration Committee during the year ended 31 December 2013 included:

(i) Reviewing the salary level and structure of the staff and making recommendation to the Board on the remuneration packages of the Directors and the senior management for the year 2013; and

(ii) To make recommendations to the Board on the remuneration of all Directors.

Nomination Committee

The Nomination Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Mr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

During the year, there is no change in the composition of the Board.

For the year ended 31 December 2013, three nomination committee meetings were held.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The summary of the work performed by the Nomination Committee during the year ended 31 December 2013 included:

(i) To review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board; and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy with due regards to the Board Diversity Policy;

(ii) To consider the skills mix needed in respect of Directors and make recommendations to the Board;

(iii) To assess the independence of independent non-executive Directors and review the independent non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report;

(iv) To review the time required for a Director to perform his responsibilities; and

(v) In March 2014, the Nomination Committee reviewed and assessed the independence of Independent Non-executive Directors of the Company and the independency status of an Independent Non-executive Director who has served the Board for more than nine years pursuant to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2013.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or Directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) in respect of their dealings in the securities of the Company.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Board, supported by the Chief Financial Officer and the accounts department, is responsible for the preparation of the financial statements of the Group and the Company. The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the Independent Auditor of the Company regarding their reporting responsibilities on the accounts of the Company is set out on pages 42 and 43 of this annual report.

INDEPENDENT AUDITOR'S REMUNERATION

Apart from carrying out the annual audit, KPMG, Certified Public Accountants, Hong Kong, the Independent Auditor of the Company also carried out the review on the interim reports of the Company. The fee of the annual audit is HK$1,608,000 whereas the fee for the interim review is HK$283,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" in this annual report on page 8.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company maintains a comprehensive and effective internal control system on income and capital and revenue expenditures. As part of internal audit, the Company has its own internal audit department and maintained a system of internal control, with manuals guiding internal controls on business operation and conducted audits of all branches of operations on a regular basis. The Internal Audit Department would recommend improvement and strengthening in the implementation of all internal control systems. The Company and the directors will review the effectiveness of the internal control system from time to time to meet with the changing business operation environment.

For the year ended 31 December 2013, the internal audit department has conducted a review of the effectiveness of the system of internal control on the areas of financial, operational and compliance controls and risk management functions.

The members of the Risk Management Committee met twice in February and July 2013 respectively. The senior management and the Internal Audit Manager had identified the relevant risks of the operational units and the control strategies of the Company and incorporated significant risk management and control strategies in the internal audit reports for the review of the Audit Committee members.

The Internal Audit Manager, who is independent to the Company's daily operations, reports directly to the Audit Committee and Group General Manager and regularly conducts audits of the practices, procedures, expenditures and internal control for business operations and corporate functions of the Company.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS IN 2013

Details of the individual attendance of each director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year and Annual General Meeting held on 20 May 2013 ("AGM") are set out in the following table:

	BM	ACM	RCM	NCM	AGM
BOARD OF DIRECTORS					
Executive Directors					
Mr. Lam Ko Yin, Colin *(Chairman of the Board and the Nomination Committee)*^#	4/4	N/A	1/1	3/3	1/1
Mr. Li Ning^#	4/4	N/A	1/1	3/3	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	0/1
Dr. Lee Shau Kee	1/4	N/A	N/A	N/A	0/1
Mr. Wong Man Kong, Peter	3/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman *(Chairman of the Audit Committee)**^#	4/4	2/2	1/1	3/3	1/1
Mr. Leung Hay Man*^	4/4	2/2	1/1	N/A	0/1
Ms. Wong Yu Pok, Marina*^#	4/4	2/2	1/1	3/3	1/1
Mr. Wu King Cheong *(Chairman of the Remuneration Committee)**^#	4/4	2/2	1/1	3/3	1/1

Remarks:

* Members of the Audit Committee
^ Members of the Remuneration Committee
# Members of the Nomination Committee

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with Shareholders.

The Board adopted a shareholders communication policy to set out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company's senior management has undertaken the role of establishing an effective communication system. The Company also maintains a website (www.hkf.com) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's auditor maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 20 May 2013.

SHAREHOLDERS' RIGHTS

Set out below are procedures by which Shareholders may: (1) request to call an extraordinary general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Company's Articles of Association and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

1. Procedures by which Shareholder(s) may request to call an extraordinary general meeting ("EGM")

Pursuant to the Articles of Association of the Company and the Companies Ordinance, 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 (the "EGM Requisitionist(s)") can make a request to call an EGM.

The Board must call an EGM within 21 days after the date on which it becomes subject to the requirement and the EGM so called must be held on a date not more than 28 days after the date of the notice convening the EGM. If the Board does not do so, the EGM Requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene the EGM, provided that the EGM must be called for a date not more than 3 months after the date on which the Board becomes subject to the requirement to call the EGM. Any reasonable expenses incurred by the EGM Requisitionist(s) by reason of the Board's failure to duly convene the EGM shall be reimbursed to the EGM Requisitionist(s) by the Company.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
Hong Kong Ferry (Holdings) Company Limited
98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

E-Mail: hkferry@hkf.com
Telephone: (852) 2394 4294
Facsimile: (852) 2786 9001

3. Procedures to circulate a resolution for an annual general meeting ("AGM")

Pursuant to the Companies Ordinance, Shareholder(s) can make a request to circulate a proposed resolution that may properly be moved and is intended to be move at an AGM, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (i) Shareholder(s) representing at least 2.5% of the total voting rights of all the Shareholders who have a relevant right to vote on the resolution at the AGM to which the request relates; or (ii) at least 50 Shareholders who have a relevant right to vote on the resolution at the AGM to which the request relates.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Association of the Company, a notice signed by a Shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details as set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details as set out in Rule 13.51(2) of the Listing Rules, to the Shareholders for them to make decision on their election at a general meeting.

INVESTOR RELATIONS

During the year ended 31 December 2013, there has not been any change in the Company's constitutional documents.

The Board proposed to amend the Company's existing articles of association (the "Articles") for the purpose of, among others, bringing them in line with the new Companies Ordinance, Chapter 622 of the Laws of Hong Kong, which came into effect on 3 March 2014. In view of the substantial number of amendments proposed to be made in the existing Articles, the Board proposed that a new set of Articles, consolidating all the proposed amendments, be adopted to replace the existing Articles (the "Proposed Adoption"), with effect from the date of passing of the relevant special resolution at the 2014 AGM. The Proposed Adoption will be subject to the approval of the Shareholders by way of a special resolution to be proposed at the 2014 AGM. A circular containing, among others, the notice of the 2014 AGM which contains the full text of the new set of Articles under the Proposed Adoption has been despatched to the Shareholders together with this annual report.

Corporate Social Responsibility

Invited Mainland University students from China Candlelight of Educational Fund

The Group values the importance of corporate social responsibility ("CSR") and its impact on the community. The Group integrates CSR elements in its business activities and participates in or encourages its staff to take part in charitable activities to promote good corporate citizenship.

In 2014, our continuous commitments to community service and care of employees have been recognised by The Hong Kong Council of Social Service as a "10 years Plus Caring Company" for over ten consecutive years since 2003.

Our Staff Volunteer Team, formally established in 2008, served the community by participating in different community service events and charitable activities in the past years.

COMMUNITY SERVICE

The Group actively supports community service and encourages our staff to contribute their time and efforts in various charitable and volunteer services.

During the year, the Group organised several CSR events at Harbour Cruise – Bauhinia. In February and July 2013, our members of the volunteer team participated in two joint lunch parties, with more than 300 people from unprivileged families of Sham Shui Po District and more than 320 kids and their parents from deprived families, co-organised by the Group with Social Welfare Department and Wofoo Social Enterprises respectively. The volunteer group and the facilitators arranged various performance activities making the parties joyful and smiley ending. The Group had also continued to invite a group of 38 Mainland University students from China Candlelight of Educational Fund for free ride and enjoy a buffet dinner on board Harbour Cruise – Bauhinia in August 2013.

The Group continues to support the events organised by the Community Chest. The Group encouraged staff to participate in "The Community Chest Green Day 2013" event held in June 2013, which encouraged greener form of transport and reduce the carbon footprint at workplace by saving energy and resources. In September 2013, our staff participated in the "Dress Casual Day 2013" event for raising funds for several social welfare services supported by the Community Chest. In both events, the Group offered its support by matching the funds raised by the employees.

Apart from giving donations, the Group invited twenty-nine students from Nanyang Technology University, Singapore and also supported Dragon Hope Youth Exchange Program held by YouthCSEASS and invited more than twenty teachers and students from Mainland, Macau, Taiwan and Hong Kong to visit Hong Kong Shipyard of our Group in June and July 2013 respectively. Both the teachers and students enjoyed this meaningful visit.

Joint lunch party with unprivileged families at Harbour Cruise – Bauhinia

Visited a kindergarten at Chai Wan District

A staff local day trip

COMMUNITY SERVICE (Continued)

Our volunteer team members visited a kindergarten at Chai Wan District, which was held by the Hong Kong Federation of Youth Groups in June 2013. During the visit, the team members enjoyed a delightful time with the children and shared the joy with them by storytelling so as to develop their imagination and interest in reading.

In August 2013, the Group encouraged staff to support for donating blood and join the Red Cross Blood Donation Day organised by the Federation of Hong Kong Industries. Staff members voluntarily joined this meaningful event in order to spread their love to the one in need by blood.

The Group has been awarded the "Industry Cares" Certificate under the "Corporate Social Responsibility (CSR) Recognition Scheme" by the Federation of Hong Kong Industries in July 2013 and "Happy Company 2013" Logo under the "Happiness-at-work Promotional Scheme" jointly organised by the Promoting Happiness Index Foundation and Hong Kong Productivity Council in September 2013, both in recognition of our effort made to the society and employees in Hong Kong.

STAFF ACTIVITIES

The Group organised two staff outing activities in 2013 which received overwhelming support from the staff. On 24 March 2013, the Group organised a local day trip to Tai Tam Reservoir family walk, Stanley market, Wing Lee Street, which was a filming location for the movie of "Echoes of the Rainbow", Maritime Museum and have a buffet lunch in a hotel at Western District. Over 100 staff and their family members joined the trip and enjoyed the leisure tour.

The Company had held the 90th Anniversary Celebration Dinner at Harbour Cruise – Bauhinia on 1 November 2013. Mr. Lam Ko Yin, Colin, Chairman of the Company, Mr. Wong Man Kong, Peter, Mr. Wu King Cheong and Ms. Wong Yu Pok, Marina, Directors, joined the party in celebration of the 90th anniversary of the Company with the staff.

On 15 December 2013, the Group organised a day trip out of Hong Kong to Dream Aquarium, Crane Lake Hakka Village and Holland Town in Shenzhen and have a buffet dinner at Harbour Cruise – Bauhinia. The trip was received with overwhelming success with more than 150 staff and their family members joined and enjoyed great time of the day.

90th Anniversary Celebration Dinner

Seminar on "Innovative Quality Improvement"

Hang Seng Pan Pearl River Delta Environmental Awards 2012/13 Presentation Ceremony

EMPLOYEES DEVELOPMENT

The Group provided various seminars and workshops to staff of different levels and positions. The seminars and workshops were organised by internal departments and external organisations to enhance the job-skills of the staff. The Company recruited IVE students as helpers to help out in various external fairs, and also employed undergraduate students from local universities as intern to provide learning opportunities to them throughout the year.

The Group provides sponsorship to employees to attend training courses organised by professional institutions from time to time to enhance their professional and technical knowledge. Since April 2010 to present, the Company has been awarded the title and logo of "Manpower Developer 1st" by Employees Retraining Board in recognition of our support to staff training and development in Hong Kong.

ENVIRONMENTAL AWARENESS

The Group continues to contribute to the preservation of the environment and its resources: minimising environmental impacts of our development projects by implementing an effective safety management system, compliance to statutory requirements, maintaining consciousness of environmental protection and being considerate to neighborhood and passers-by, etc. The Group encouraged its subsidiary companies to contribute to the recycling of the food remains and waste to protect the environment. The Hongkong and Yaumati Ferry Company Limited and The Hong Kong Shipyard Limited are granted the "3 Years + Entrant and Green Participant" and the "Green Medal" respectively under the "Hang Seng Pan Pearl River Delta Environmental Awards 2012/13" which is jointly organised by the Federation of Hong Kong Industries and Hang Seng Bank in recognition of their contribution to environmental protection.

In order to express our concern on climate change and to encourage staff to adopt a low-carbon lifestyle, the Company and various subsidiary companies joined the event of "Earth Hour 2013" organised by World Wide Fund for Nature and the event of "Hong Kong No Air-con Night 2013" organised by Green Sense. We also encouraged our staff to support these events through our internal communications.

Independent Auditor's Report

Independent auditor's report to the shareholders of
Hong Kong Ferry (Holdings) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 122, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ACCOUNTS

The directors of the Company are responsible for the preparation of consolidated accounts 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 accounts 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 accounts based on our audit. This report is made 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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, 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 accounts 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 accounts.

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 accounts 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2014

Consolidated Profit and Loss Account

for the year ended 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000 Restated
Turnover	3(a)	**440,241**	616,181
Cost of sales		**(230,822)**	(289,939)
		209,419	326,242
Other revenue	3(a) & 4	**57,293**	35,539
Other net income	4	**125,872**	19,459
Valuation gains on investment properties and investment property held for development	3(d) & 13	**93,100**	220,510
Impairment loss on available-for-sale securities	16	**(25,481)**	(34,441)
Selling and marketing expenses		**(56,839)**	(41,450)
Administrative expenses		**(47,102)**	(43,950)
Other operating expenses		**(44,064)**	(48,717)
Profit from operations	3(b)	**312,198**	433,192
Share of profits less losses of associates		**999**	734
Profit before taxation	5	**313,197**	433,926
Taxation	6(a)	**(19,760)**	(36,682)
Profit attributable to equity shareholders of the Company	9	**293,437**	397,244
Earnings per share			
– Basic and diluted	12	**$0.82**	$1.11

The notes on pages 52 to 122 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000 Restated
Profit attributable to equity shareholders of the Company		**293,437**	397,244
Other comprehensive income for the year (after tax and reclassification adjustments)	*11*		
Item that will not be reclassified to profit or loss:			
Remeasurement of employee benefits assets		**976**	1,102
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities:			
net movement in the securities revaluation reserve		**(122,452)**	150,738
Other comprehensive income for the year		**(121,476)**	151,840
Total comprehensive income attributable to equity shareholders of the Company		**171,961**	549,084

The notes on pages 52 to 122 form part of these accounts.

Consolidated Balance Sheet

at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2013 HK$'000	31 December 2012 HK$'000	31 December 2012 HK$'000 Restated	1 January 2012 HK$'000	1 January 2012 HK$'000 Restated
Non-current assets							
Fixed assets	*13*						
– Investment properties			**1,251,900**		1,182,800		1,010,400
– Investment property held for development			**–**		–		108,000
– Other property, plant and equipment			**69,692**		73,724		79,684
– Interest in leasehold land			**45,876**		47,245		48,615
			1,367,468		1,303,769		1,246,699
Interest in associates	*15*		**16,643**		22,046		25,390
Available-for-sale securities	*16*		**400,788**		711,636		487,691
Employee benefits assets	*17(a)*		**4,107**		4,802		5,204
Deferred tax assets	*22(b)*		**14,527**		7,482		5,961
			1,803,533		2,049,735		1,770,945
Current assets							
Inventories	*18(a)*	**2,882,440**		2,443,439		2,202,271	
Trade and other receivables	*19*	**1,931,169**		203,096		249,011	
Cash and bank balances	*20*	**1,759,565**		837,030		684,813	
Tax recoverable	*22(a)*	**36,557**		30,677		31,655	
		6,609,731		3,514,242		3,167,750	
Current liabilities							
Trade and other payables	*21*	**3,157,737**		359,829		174,382	
Tax payable	*22(a)*	**40,281**		39,711		32,217	
		3,198,018		399,540		206,599	
Net current assets			**3,411,713**		3,114,702		2,961,151
Total assets less current liabilities			**5,215,246**		5,164,437		4,732,096
Non-current liability							
Deferred tax liabilities	*22(b)*		**28,093**		20,987		9,472
NET ASSETS			**5,187,153**		5,143,450		4,722,624

Consolidated Balance Sheet (Continued)

at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2013 HK$'000	31 December 2012 HK$'000	31 December 2012 HK$'000 Restated	1 January 2012 HK$'000	1 January 2012 HK$'000 Restated
CAPITAL AND RESERVES							
Share capital	*23(b)*		**356,274**		356,274		356,274
Reserves			**4,830,879**		4,787,176		4,366,350
TOTAL EQUITY			**5,187,153**		5,143,450		4,722,624

Approved and authorised for issue by the board of directors on 18 March 2014.

Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 52 to 122 form part of these accounts.

Balance Sheet

at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2013 HK$'000	31 December 2012 HK$'000	31 December 2012 HK$'000 Restated	1 January 2012 HK$'000	1 January 2012 HK$'000 Restated
Non-current assets							
Interest in subsidiaries	14		**4,461,835**		4,460,160		4,346,151
Interest in associates	15		**2,698**		2,902		2,902
Available-for-sale securities	16		**45**		45		45
Employee benefits assets	17(a)		**4,107**		4,802		5,204
			4,468,685		4,467,909		4,354,302
Current assets							
Trade and other receivables	19	**2,476**		2,370		2,073	
Cash and bank balances	20	**1,081**		560		1,802	
		3,557		2,930		3,875	
Current liabilities							
Amounts due to subsidiaries	14	**869,969**		736,841		600,731	
Trade and other payables	21	**7,002**		6,643		7,841	
		876,971		743,484		608,572	
Net current liabilities			**(873,414)**		(740,554)		(604,697)
NET ASSETS			**3,595,271**		3,727,355		3,749,605
CAPITAL AND RESERVES	23(a)						
Share capital	23(b)		**356,274**		356,274		356,274
Reserves			**3,238,997**		3,371,081		3,393,331
TOTAL EQUITY			**3,595,271**		3,727,355		3,749,605

Approved and authorised for issue by the board of directors on 18 March 2014.

Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 52 to 122 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Share capital HK$'000 (Note 23(b))	Share premium HK$'000 (Note 23(c))	Securities revaluation reserve HK$'000 (Note 23(c))	Other capital reserves HK$'000 (Note 23(c))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2012		356,274	1,398,527	13,018	605	2,960,185	4,728,609
Impact of change in accounting policy	1(c)	–	–	–	–	(5,985)	(5,985)
Restated balance at 1 January 2012		356,274	1,398,527	13,018	605	2,954,200	4,722,624
Changes in equity for 2012:							
Profit for the year (restated)		–	–	–	–	397,244	397,244
Other comprehensive income (restated)		–	–	150,738	–	1,102	151,840
Total comprehensive income (restated)		–	–	150,738	–	398,346	549,084
Dividends approved in respect of the previous year	10	–	–	–	–	(92,631)	(92,631)
Dividends declared in respect of the current year	10	–	–	–	–	(35,627)	(35,627)
Restated balance at 31 December 2012 and 1 January 2013		**356,274**	**1,398,527**	**163,756**	**605**	**3,224,288**	**5,143,450**
Changes in equity for 2013:							
Profit for the year		**–**	**–**	**–**	**–**	**293,437**	**293,437**
Other comprehensive income		**–**	**–**	**(122,452)**	**–**	**976**	**(121,476)**
Total comprehensive income		**–**	**–**	**(122,452)**	**–**	**294,413**	**171,961**
Dividends approved in respect of the previous year	10	**–**	**–**	**–**	**–**	**(92,631)**	**(92,631)**
Dividends declared in respect of the current year	10	**–**	**–**	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2013		**356,274**	**1,398,527**	**41,304**	**605**	**3,390,443**	**5,187,153**

The notes on pages 52 to 122 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2013

	Note	2013 HK$'000	2013 HK$'000	2012 HK$'000 Restated	2012 HK$'000 Restated
Operating activities					
Profit before taxation			**313,197**		433,926
Adjustments for:					
Depreciation		**6,059**		7,068	
Amortisation of leasehold land premium		**1,369**		1,370	
(Reversal of impairment losses)/impairment losses on trade and other receivables		**(24)**		682	
Impairment loss on available-for-sale securities		**25,481**		34,441	
Impairment loss on amount due from an associate		**324**		–	
Net profit on sale of available-for-sale securities		**(104,442)**		–	
Net profit on disposal of investment properties		**(2,250)**		(3,451)	
Net profit on disposal of investment property held for development		**–**		(4,172)	
Net (profit)/loss on disposal of other property, plant and equipment		**(18,153)**		4	
Valuation gains on investment properties and investment property held for development		**(93,100)**		(220,510)	
Interest income		**(40,473)**		(26,303)	
Dividend income from listed investments		**(23,018)**		(16,758)	
Share of profits less losses of associates		**(999)**		(734)	
			(249,226)		(228,363)
Operating profit before changes in working capital			**63,971**		205,563
Decrease in employee benefits assets		**1,671**		1,504	
Increase in inventories		**(337,287)**		(62,478)	
(Increase)/decrease in trade and other receivables		**(1,711,815)**		44,560	
Increase in trade and other payables		**2,696,194**		6,403	
			648,763		(10,011)
Cash generated from operations			**712,734**		195,552
Profits tax paid		**(25,009)**		(18,216)	
			(25,009)		(18,216)
Net cash generated from operating activities			**687,725**		177,336

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2013

	Note	**2013** HK$'000	**2013** HK$'000	2012 HK$'000 Restated	2012 HK$'000 Restated
Investing activities					
Interest received		**36,945**		26,600	
Payment for purchase of fixed assets		**(2,063)**		(1,112)	
Payment for purchase of available-for-sale securities		**(191,285)**		(106,902)	
Proceeds from disposal of available-for-sale securities		**447,526**		–	
Net repayment from associates		**5,233**		4,031	
Proceeds from disposal of investment properties		**26,250**		12,046	
Proceeds from disposal of investment property held for development		**–**		152,172	
Proceed from disposal of fixed assets		**18,189**		–	
Dividends received from listed investments		**21,283**		16,304	
Dividends received from an associate		**990**		–	
Net cash generated from investing activities			**363,068**		103,139
Financing activity					
Dividends paid		**(128,258)**		(128,258)	
Net cash used in financing activity			**(128,258)**		(128,258)
Net increase in cash and cash equivalents			**922,535**		152,217
Cash and cash equivalents at 1 January			**837,030**		684,813
Cash and cash equivalents at 31 December	*20(a)*		**1,759,565**		837,030

The notes on pages 52 to 122 form part of these accounts.

Notes to the Accounts

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these accounts.

(b) Basis of preparation of the accounts

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

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– financial instruments classified as available-for-sale securities (see note 1(f)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

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

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

– HKFRS 10, *Consolidated financial statements*

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

– HKFRS 13, *Fair value measurement*

– Revised HKAS 19, *Employee benefits*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

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

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

HKFRS 10, *Consolidated financial statements*

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14 and 15.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 13 and 24. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised HKAS 19, *Employee benefits*

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	The Group		
	As previously reported	**Effect of adoption of revised HKAS 19**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated profit and loss account for the year ended 31 December 2012:			
Administrative expenses	42,839	1,111	43,950
Profit for the year	398,355	(1,111)	397,244
Consolidated statement of comprehensive income for the year ended 31 December 2012:			
Remeasurement of employee benefits assets	–	1,102	1,102
Other comprehensive income for the year	150,738	1,102	151,840
Total comprehensive income for the year	549,093	(9)	549,084
Consolidated balance sheet as at 31 December 2012:			
Employee benefits assets	10,796	(5,994)	4,802
Total non-current assets	2,055,729	(5,994)	2,049,735
Net assets/Total equity	5,149,444	(5,994)	5,143,450
Retained profits	3,230,282	(5,994)	3,224,288
Consolidated balance sheet as at 1 January 2012:			
Employee benefits assets	11,189	(5,985)	5,204
Total non-current assets	1,776,930	(5,985)	1,770,945
Net assets/Total equity	4,728,609	(5,985)	4,722,624
Retained profits	2,960,185	(5,985)	2,954,200

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

	The Company		
	As previously reported	Effect of adoption of revised HKAS 19	As restated
	HK$'000	*HK$'000*	*HK$'000*
Profit and loss account for the year ended 31 December 2012:			
Administrative expenses	20,866	1,111	21,977
Profit for the year	106,017	(1,111)	104,906
Statement of comprehensive income for the year ended 31 December 2012:			
Remeasurement of employee benefits assets	–	1,102	1,102
Other comprehensive income for the year	–	1,102	1,102
Total comprehensive income for the year	106,017	(9)	106,008
Balance sheet as at 31 December 2012:			
Employee benefits assets	10,796	(5,994)	4,802
Net assets/Total equity	3,733,349	(5,994)	3,727,355
Retained profits	1,978,548	(5,994)	1,972,554
Balance sheet as at 1 January 2012:			
Employee benefits assets	11,189	(5,985)	5,204
Net assets/Total equity	3,755,590	(5,985)	3,749,605
Retained profits	2,000,789	(5,985)	1,994,804

This change in accounting policy did not have a material impact on current or deferred taxation and earnings per share.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

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

An investment in an associate is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated profit and loss account, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates (Continued)

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

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 1(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities, being those held for non-trading purpose, are classified as available-for-sale securities. Available-for-sale securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the securities revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet as cost less impairment losses (see note 1(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(r)(vii) and 1(r)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(r)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

(h) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

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

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

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land classified as held under finance leases	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 15 years
Machinery, furniture and other fixed assets	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

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

(ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale (see note 1(k)(iv)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investment in associates accounted for under the equity method in the consolidated accounts (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

Notes to the Accounts (Continued)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

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

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

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

– For available-for-sale securities, the cumulative loss that has been recognised in the securities revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets

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

– other property, plant and equipment; and

– investments in subsidiaries and associates in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

(iii) Work in progress

Work in progress are construction and repairing in progress at the balance sheet date and are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings.

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated as part of "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the balance sheet date on Hong Kong Government Exchange Fund Notes that have durations approximating that of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(p) Income tax

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

(ii) Rental income from operating leases

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

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

(iv) Ferry operations and related services

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

(v) Travel business

Revenue arising from the travel business is recognised on the completion date of the tours or when the relevant services are provided.

(vi) Interest income

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

(vii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(s) Deferred interest income

Where properties are sold under deferred terms with part of the sales proceeds being receivable after an interest-free period, the differences between the sale prices with and without such terms are treated as deferred income and is released to profit or loss on a straight-line basis over the interest-free period.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

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

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

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

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

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

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

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

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

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

(v) Segment reporting

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

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 17 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Recognition of deferred tax assets

At 31 December 2013, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$95,261,000 (2012: HK$60,188,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

(c) Impairment of interest in subsidiaries

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

3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

– Property development: development and sale of properties.

– Property investment: leasing of properties.

– Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.

– Travel operation: management and operation of travel agency services.

– Securities investment: debt and equity securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3 SEGMENT INFORMATION (Continued)

The segment information for the years ended 31 December 2013 and 2012 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**110,156**	252,866	**–**	–	**110,156**	252,866
Property investment	**69,811**	63,288	**74**	69	**69,737**	63,219
Ferry, shipyard and related operations	**137,035**	150,749	**2,132**	3,058	**134,903**	147,691
Travel operation	**132,611**	144,849	**913**	15	**131,698**	144,834
Securities investment	**36,326**	22,203	**–**	–	**36,326**	22,203
Others	**68,043**	71,080	**53,329**	50,173	**14,714**	20,907
	553,982	705,035	**56,448**	53,315	**497,534**	651,720
Analysed by:						
Turnover					**440,241**	616,181
Other revenue					**57,293**	35,539
					497,534	651,720

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel operation, and securities investment.

Turnover represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

3 SEGMENT INFORMATION (Continued)

(b) Segment result

	Reportable segment profit	
	2013	2012
	HK$'000	*HK$'000*
		Restated
Property development	**29,336**	135,388
Property investment *(note 3(d))*	**131,579**	257,642
Ferry, shipyard and related operations	**34,004**	28,067
Travel operation	**(3,329)**	1,218
Securities investment	**114,274**	(12,660)
Others *(note 3(e))*	**6,334**	23,537
	312,198	433,192

(c) Reconciliation of reportable segment profit

	2013	2012
	HK$'000	*HK$'000*
		Restated
Reportable segment profit derived from external customers	**312,198**	433,192
Share of profits less losses of associates	**999**	734
Profit before taxation in the consolidated profit and loss account	**313,197**	433,926

(d) The segment result of the "Property investment" included valuation gains on investment properties and investment property held for development of HK$93,100,000 (2012: HK$220,510,000).

(e) The segment result of "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

Notes to the Accounts (Continued)

3 SEGMENT INFORMATION (Continued)

(f) Other segment information

	Depreciation and amortisation		(Reversal of impairment losses)/impairment losses		Capital expenditure incurred	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property investment	**13**	18	**(24)**	456	**10**	2
Ferry, shipyard and related operations	**6,534**	7,453	**–**	226	**1,619**	796
Travel operation	**127**	186	**–**	–	**291**	136
Securities investment	**–**	–	**25,481**	34,441	**–**	–
Others	**754**	781	**324**	–	**143**	178
	7,428	8,438	**25,781**	35,123	**2,063**	1,112

4 OTHER REVENUE AND NET INCOME

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**10,216**	8,878
Air-conditioning charges income	**7,197**	6,597
Other interest income	**26,281**	6,262
Other income	**13,599**	13,802
	57,293	35,539
Other net income		
Net profit on sale of available-for-sale securities	**104,442**	–
Net profit/(loss) on disposal of other property, plant and equipment	**18,153**	(4)
Net exchange (loss)/gain	**(45)**	8,268
Net profit on disposal of investment properties	**2,250**	3,451
Net profit on disposal of investment property held for development	**–**	4,172
Income from sale of spare parts	**501**	950
Forfeited deposits	**–**	1,572
Sundry income	**571**	1,050
	125,872	19,459

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	2013 **HK$'000**	2012 HK$'000 Restated
Expense recognised in respect of defined benefit retirement plan *(note 17(a)(v))*	**1,671**	1,504
Contributions to defined contribution retirement plan	**2,658**	2,521
Total retirement costs	**4,329**	4,025
Salaries, wages and other benefits	**82,144**	79,608
	86,473	83,633

(b) Other items:

	2013 **HK$'000**	2012 HK$'000
Amortisation of leasehold land premium	**1,369**	1,370
Depreciation	**6,059**	7,068
Cost of inventories *(note 18(b))*	**43,061**	93,236
Auditor's remuneration		
– audit services	**1,608**	1,427
– other services	**283**	268
Operating lease charges: minimum lease payments – property rentals	**4,971**	4,694
(Reversal of impairment losses)/impairment losses on trade and other receivables	**(24)**	682
Impairment loss on amount due from an associate	**324**	–
Rentals receivable from investment properties less direct outgoings of HK$24,770,000 (2012: HK$25,540,000)	**(27,006)**	(21,814)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK$973,000 (2012: HK$923,000)	**(7,804)**	(10,945)
Interest income	**(40,473)**	(26,303)
Dividend income from listed investments	**(23,018)**	(16,758)

6 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2013 HK$'000	2012 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**19,920**	26,705
Over-provision in respect of prior year	**(221)**	(17)
	19,699	26,688
Deferred tax		
Origination and reversal of temporary differences	**61**	9,994
	19,760	36,682

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012-13 subject to a ceiling of HK$10,000 allowed by the Government of Hong Kong Special Administrative Region for each business.

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2013 HK$'000	2012 HK$'000 Restated
Profit before taxation	**313,197**	433,926
Notional tax on profit before taxation, calculated at 16.5%	**51,678**	71,598
Tax effect of non-deductible expenses	**6,798**	7,424
Tax effect of non-taxable income	**(40,968)**	(44,753)
Tax effect of current year's tax losses not recognised	**1,116**	514
Tax effect of prior years' unrecognised tax losses utilised this year	**(78)**	(617)
Tax effect of temporary differences on fixed assets	**1,435**	2,533
Over-provision in respect of prior year	**(221)**	(17)
Actual tax expense	**19,760**	36,682

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and Chief Executive's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and Appendix 16 to the Main Board Listing Rules are as follows:

	Directors' fee	
	2013	2012
	HK$'000	*HK$'000*
Executive directors		
Mr. Lam Ko Yin, Colin	**200**	200
Mr. Li Ning	**150**	150
Non-executive directors		
Mr. Au Siu Kee, Alexander	**100**	100
Mr. Lau Yum Chuen, Eddie	**100**	100
Dr. Lee Shau Kee	**100**	100
Mr. Wong Man Kong, Peter	**100**	100
Independent non-executive directors		
Mr. Ho Hau Chong, Norman	**300**	300
Mr. Leung Hay Man	**300**	143
Ms. Wong Yu Pok, Marina	**300**	300
Mr. Wu King Cheong	**300**	300
	1,950	1,793

	Salaries and other emoluments	
	2013	2012
	HK$'000	*HK$'000*
Group General Manager		
Dr. Ho Chi Shing, David	**2,761**	3,953

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, one is a chief executive whose emoluments is disclosed in note 7. The aggregate of the emoluments in respect of the remaining four (2012: four) individuals are as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Salaries and other emoluments	**4,182**	4,023
Retirement scheme contributions	**132**	81
	4,314	4,104

The emoluments of the four (2012: four) individuals with the highest emoluments are within the following bands:

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

(b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in note 7 and 8(a), the emoluments of the remaining senior management whose profiles are provided in the Directors' and Senior Management's Profile fell within the following bands:

HK$	**2013** ***Number of individuals***	2012 *Number of individuals*
500,001-1,000,000	**2**	2

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$4,802,000 (2012 (restated): profit of HK$104,906,000) which has been dealt with in the accounts of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 10.

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2013	2012
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK10 cents (2012: HK10 cents) per ordinary share	**35,627**	35,627
Final dividend proposed after the balance sheet date of HK26 cents (2012: HK26 cents) per ordinary share	**92,631**	92,631
	128,258	128,258

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2012: HK26 cents) per ordinary share	**92,631**	92,631

Notes to the Accounts (Continued)

11 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments

	2013 HK$'000	2012 HK$'000 Restated
Remeasurement of employee benefits assets	**976**	1,102
Available-for-sale securities		
Changes in fair value recognised during the year	**(40,437)**	116,297
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**(107,496)**	–
– impairment losses	**25,481**	34,441
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	**(122,452)**	150,738
Other comprehensive income	**(121,476)**	151,840

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$293,437,000 (2012 (restated): HK$397,244,000) and 356,273,883 (2012: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2013 and 2012, therefore diluted earnings per share are the same as basic earnings per share for both years.

13 FIXED ASSETS

The Group

	Buildings	Ferry vessels and other crafts	Machinery, furniture and others	Sub-total	Investment properties	Investment property held for development	Interest in leasehold land	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At 1 January 2012	70,215	131,371	277,545	479,131	1,010,400	108,000	159,407	1,756,938
Additions	126	272	714	1,112	–	–	–	1,112
Cost adjustment *(Note)*	–	–	–	–	485	–	–	485
Disposals	(121)	–	(255)	(376)	(8,595)	(148,000)	–	(156,971)
Valuation gains	–	–	–	–	180,510	40,000	–	220,510
At 31 December 2012	70,220	131,643	278,004	479,867	1,182,800	–	159,407	1,822,074
Representing:								
Cost	70,220	131,643	278,004	479,867	–	–	159,407	639,274
Valuation	–	–	–	–	1,182,800	–	–	1,182,800
	70,220	131,643	278,004	479,867	1,182,800	–	159,407	1,822,074
Accumulated amortisation and depreciation:								
At 1 January 2012	58,733	126,413	214,301	399,447	–	–	110,792	510,239
Charge for the year	605	1,663	4,800	7,068	–	–	1,370	8,438
Written back on disposals	(121)	–	(251)	(372)	–	–	–	(372)
At 31 December 2012	59,217	128,076	218,850	406,143	–	–	112,162	518,305
Net book value:								
At 31 December 2012	11,003	3,567	59,154	73,724	1,182,800	–	47,245	1,303,769

13 FIXED ASSETS (Continued)

The Group (Continued)

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2013	70,220	131,643	278,004	479,867	1,182,800	159,407	1,822,074
Additions	57	519	1,487	2,063	–	–	2,063
Disposals	(69)	(14,085)	(266)	(14,420)	(24,000)	–	(38,420)
Valuation gains	–	–	–	–	93,100	–	93,100
At 31 December 2013	70,208	118,077	279,225	467,510	1,251,900	159,407	1,878,817
Representing:							
Cost	70,208	118,077	279,225	467,510	–	159,407	626,917
Valuation	–	–	–	–	1,251,900	–	1,251,900
	70,208	118,077	279,225	467,510	1,251,900	159,407	1,878,817
Accumulated amortisation and depreciation:							
At 1 January 2013	59,217	128,076	218,850	406,143	–	112,162	518,305
Charge for the year	584	681	4,794	6,059	–	1,369	7,428
Written back on disposals	(69)	(14,085)	(230)	(14,384)	–	–	(14,384)
At 31 December 2013	59,732	114,672	223,414	397,818	–	113,531	511,349
Net book value:							
At 31 December 2013	10,476	3,405	55,811	69,692	1,251,900	45,876	1,367,468

Note: Cost adjustment represents the revision of the original construction cost of the properties completed in prior years, confirmed by the surveyor during the year ended 31 December 2012.

13 FIXED ASSETS (Continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

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

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

		Fair value measurements as at 31 December 2013 categorised into		
	Fair value at 31 December 2013	**Level 1**	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Recurring fair value measurement				
Investment properties	**1,251,900**	**–**	**–**	**1,251,900**

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

Valuation process

All the Group's investment properties were revalued as at 31 December 2013. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

13 FIXED ASSETS (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current leases except for an investment property which was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Below is a table which presents the significant unobservable inputs:

Income capitalisation approach

	Range of capitalisation rates %	Range of occupancy rates %
– Retail	**4.25% – 5.5%**	**60% – 100%**
– Car park	**4.75% – 6.5%**	**76% – 100%**

Market comparison approach

	Market unit sales price *HK$/sq. ft.*
– Godown	**424 – 429**

The fair value measurement of investment properties is positively correlated to the occupancy rate and market unit sales price and negatively correlated to the capitalisation rate.

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

	HK$'000
Investment properties	
At 1 January 2013	**1,182,800**
Disposals	**(24,000)**
Valuation gains	**93,100**
At 31 December 2013	**1,251,900**

13 FIXED ASSETS (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties and investment property held for development" on the face of the consolidated profit and loss account.

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

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Medium-term leases	**1,308,252**	1,241,048

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 1 year	**34,752**	32,108
After 1 year but within 5 years	**21,407**	25,802
After 5 years	**–**	1,594
	56,159	59,504

14 INTEREST IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**166,888**	166,888
Amounts due from subsidiaries	**4,988,232**	4,987,370
Less: Impairment losses	**(693,285)**	(694,098)
	4,461,835	4,460,160

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year.

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

Details of the principal subsidiaries at 31 December 2013, which materially affect the results, assets or liabilities of the Group, are as follows:

		Proportion of ownership interests		
	Particulars of issued and paid up capital *HK$*	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
HYFCO Development Company, Limited	12,000,030	100%	–	Property investment
The Hong Kong Shipyard Limited	17,000,000	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2	100%	–	Trading
HYFCO Estate Management & Agency Limited	25,000,000	100%	–	Property management
HYFCO Travel Agency Limited	3,500,000	100%	–	Travel business
The Hongkong and Yaumati Ferry Company Limited	100,000,000	100%	–	Ferry operations

14 INTEREST IN SUBSIDIARIES (Continued)

	Particulars of issued and paid up capital	Proportion of ownership interests		Principal activities
		Held by the Company	Held by subsidiaries	
	HK$			
Galaxy Hotel Management Company Limited	1,350,000	–	100%	Floating restaurant business
Genius Star Development Limited	2	100%	–	Property investment
Pico International Limited	6,000,000	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2	100%	–	Group financing
Thommen Limited	20	100%	–	Investment holding
Lenfield Limited	2	100%	–	Property development, investment and financing
HKF Property Investment Limited	2	100%	–	Property investment
Join Galaxy Limited	2	–	100%	Property financing
Merry World Assets Limited	390,000	100%	–	Investment holding
Star Unity Limited	1	100%	–	Property investment
Jet Legend Limited	1	100%	–	Property development
World Light Limited	1	100%	–	Property development and financing
Well Dynamic Limited	1	100%	–	Property development

14 INTEREST IN SUBSIDIARIES (Continued)

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

Except for HYFCO Travel Agency Limited which operates outbound tours in the Mainland China and Macau, all the other subsidiaries operate in Hong Kong.

15 INTEREST IN ASSOCIATES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**5,494**	6,055	**–**	–
Amounts due from associates	**17,943**	22,461	**9,492**	9,372
	23,437	28,516	**9,492**	9,372
Less: Impairment loss	**(6,794)**	(6,470)	**(6,794)**	(6,470)
	16,643	22,046	**2,698**	2,902

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2012: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 28(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are neither past due nor impaired and are not expected to be recovered within one year.

Details of the associates at 31 December 2013 are as follows:

	Particulars of issued and paid up capital	Proportion of ownership interest held by subsidiaries	Principal activities
2OK	10 ordinary shares of HK$1 each	50%	Property financing
Authian Estates Limited	5,000 A shares of HK$1 each 5,000 B shares of HK$1 each	50%	Property investment
Winwide Limited	100 ordinary shares of HK$1 each	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

All of the above associates are accounted for using the equity method in the consolidated accounts.

15 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated accounts	**5,494**	6,055
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**999**	734
Total comprehensive income	**999**	734

16 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Unlisted shares	**45**	45	**45**	45
Listed debt securities	**–**	134,585	**–**	–
Listed shares				
– in Hong Kong	**337,875**	416,859	**–**	–
– outside Hong Kong	**62,868**	160,147	**–**	–
	400,743	577,006	**–**	–
	400,788	711,636	**45**	45
Market value of listed securities at 31 December	**400,743**	711,591	**–**	–
Fair value of individually impaired available-for-sale securities	**103,198**	50,111	**–**	–

As at 31 December 2013, certain of the Group's listed available-for-sale securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK$25,481,000 (2012: HK$34,441,000) on these investments were recognised in profit or loss in accordance with the policy set out in note 1(j)(i).

17 EMPLOYEE BENEFITS ASSETS

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("ORSO"), which covers 14.6% (2012: 15.1%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendations based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2013 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan were fully covered by the plan assets held by the trustees.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plan is disclosed below:

(i) The amounts recognised in the balance sheets are as follows:

	The Group and the Company	
	2013	2012
	HK$'000	*HK$'000*
		Restated
Present value of wholly or partly funded obligations	**(38,973)**	(41,746)
Fair value of plan assets	**43,080**	46,548
	4,107	4,802

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group does not expect to pay contributions to defined benefit retirement plan in 2014.

17 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	The Group and the Company	
	2013	2012
Equity securities	**30.8%**	29.5%
Fixed deposits	**69.2%**	70.5%
Total	**100.0%**	100.0%

All of the equity securities have quoted prices in active markets.

(iii) Movements in the present value of the defined benefit obligations:

	The Group and the Company	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**41,746**	38,811
Remeasurements:		
– Actuarial losses arising from changes in demographic assumptions	**–**	36
– Actuarial (gains)/losses arising from changes in financial assumptions	**(1,544)**	1,963
– Actuarial losses arising from changes in experience	**709**	1,279
	(835)	3,278
Current service cost	**1,369**	1,430
Interest cost	**199**	494
Benefits paid by the plan	**(3,506)**	(2,267)
At 31 December	**38,973**	41,746

17 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(iv) Movements in plan assets:

	The Group and the Company	
	2013	2012
	HK$'000	*HK$'000*
		Restated
At 1 January	**46,548**	44,015
Interest income	**223**	562
Return greater than discount rate	**141**	4,380
Benefits paid by the plan	**(3,506)**	(2,267)
Administrative expenses paid	**(326)**	(142)
At 31 December	**43,080**	46,548

(v) Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2013	2012
	HK$'000	*HK$'000*
		Restated
Current service cost	**1,369**	1,430
Net income on net defined benefit asset	**(24)**	(68)
Administrative expenses paid	**326**	142
Total amounts recognised in profit or loss	**1,671**	1,504
Actuarial (gains)/losses	**(835)**	3,278
Return on scheme assets, excluding interest income	**(141)**	(4,380)
Total amounts recognised in other comprehensive income	**(976)**	(1,102)
Total defined benefit costs	**695**	402

17 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(v) (Continued)

The current service cost, the net income on defined benefit asset and the administrative expenses paid are recognised in the following item in the consolidated profit and loss account:

	2013 ***HK$'000***	2012 *HK$'000* Restated
Administrative expenses	**1,671**	1,504

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	The Group and the Company	
	2013	2012
Discount rate	**1.6%**	0.5%
Future salary increases		
– 2013	**3.5%**	3%
– 2014 and onwards	**3.5%**	3%

The below analysis shows how the defined benefit asset as at 31 December 2013 would have increased/(decreased) as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25% ***HK$'000***	**Decrease in 0.25%** ***HK$'000***
Discount rate	**(543)**	**558**
Future salary increases	**475**	**(465)**

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

17 EMPLOYEE BENEFITS ASSETS (Continued)

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

18 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2013	2012
	HK$'000	*HK$'000*
Property development		
Properties under development for sale	**2,821,770**	2,360,533
Completed properties held for sale	**48,632**	71,980
	2,870,402	2,432,513
Other operations		
Trading stocks	**899**	1,382
Spare parts and consumables	**2,221**	2,577
Work in progress	**8,918**	6,967
	12,038	10,926
	2,882,440	2,443,439

The above properties are situated in Hong Kong and held under medium-term leases.

The amount of properties under development for sale expected to be completed after more than one year is HK$231,864,000 (2012: HK$649,291,000). All of the other inventories are expected to be recovered within one year.

18 INVENTORIES (Continued)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2013 HK$'000	2012 HK$'000
Carrying amount of inventories sold	**43,061**	93,236

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 *HK$'000*	2012 *HK$'000*	**2013** *HK$'000*	2012 *HK$'000*
Trade receivables	**206,099**	168,803	**–**	–
Less: allowance for doubtful debts	**–**	(497)	**–**	–
	206,099	168,306	**–**	–
Cash held by stakeholders	**1,585,008**	–	**–**	–
Other receivables and prepayments	**140,062**	34,790	**2,476**	2,370
	1,931,169	203,096	**2,476**	2,370

All of the trade and other receivables except for instalment receivables of HK$131,358,000 (2012: HK$108,046,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK$60,902,000 (2012: HK$46,456,000) which are unsecured, interest-free and have no fixed terms of repayment.

19 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Current	**173,885**	148,143
1 to 3 months overdue	**20,825**	16,744
More than 3 months but less than 12 months overdue	**10,405**	2,271
More than 12 months overdue	**984**	1,148
	206,099	168,306

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 24(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**497**	2,266
Impairment loss (reversed)/recognised	**(24)**	682
Uncollectible amounts written off	**(473)**	(2,451)
At 31 December	**–**	497

At 31 December 2013, the Group's trade debtors of HK$Nil (2012: HK$497,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$Nil (2012: HK$497,000) were recognised.

19 TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade debtors that are not impaired

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Neither overdue nor impaired	**173,885**	148,143
1 to 3 months overdue	**20,825**	16,744
More than 3 months but less than 12 months overdue	**10,405**	2,271
More than 12 months overdue	**984**	1,148
	32,214	20,163
	206,099	168,306

Receivables that were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

20 CASH AND BANK BALANCES

(a)

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks and other financial institutions	**1,667,803**	822,535	**–**	–
Cash at bank and in hand	**91,762**	14,495	**1,081**	560
	1,759,565	837,030	**1,081**	560

Included in cash and bank balances are the following amounts denominated in a currency other than Hong Kong dollars:

	The Group				The Company			
		2013		2012		**2013**		2012
		'000		*'000*		***'000***		*'000*
United States dollars	**USD**	**9**	USD	4	**USD**	**3**	USD	4
Australian dollars		**–**	AUD	29,228		**–**		–
Renminbi	**RMB**	**100,618**	RMB	64,320		**–**		–

(b) Major non-cash transactions

During the year, the Group has payable in relation to addition of properties under development for sale of HK$101,714,000 (2012: HK$178,532,000). These additions have no cash flow impact to the Group.

21 TRADE AND OTHER PAYABLES

All of the trade and other payables are expected to be settled or recognised as income within one year except for an amount of HK$7,093,000 (2012: HK$6,684,000) of the Group. Included in the trade and other payables are amounts due to related companies of HK$425,929,000 (2012: HK$274,299,000) which are unsecured, interest-free and have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis at the balance sheet date:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Due within 1 month or on demand	**441,231**	294,592
Due after 1 month but within 3 months	**997**	45
Due after 3 months but within 12 months	**–**	–
More than 12 months	**8**	1
	442,236	294,638

22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Tax (recoverable)/payable in the consolidated balance sheet represents:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**19,920**	26,705
Provisional Profits Tax paid	**(16,079)**	(15,576)
	3,841	11,129
Balance of Hong Kong Profits Tax recoverable relating to prior years	**(117)**	(2,095)
	3,724	9,034

Represented by:

	2013	2012
	HK$'000	*HK$'000*
Tax recoverable	**(36,557)**	(30,677)
Tax payable	**40,281**	39,711
	3,724	9,034

22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

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

The Group

Deferred tax arising from:	**Temporary differences arising from fixed assets**	**Future benefit of tax losses**	**Intra-group interest capitalised in properties under development**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	18,013	(11,048)	(3,454)	3,511
Charged to profit or loss *(note 6(a))*	8,737	1,117	140	9,994
At 31 December 2012 and 1 January 2013	**26,750**	**(9,931)**	**(3,314)**	**13,505**
Charged/(credited) to profit or loss *(note 6(a))*	**5,487**	**(5,787)**	**361**	**61**
At 31 December 2013	**32,237**	**(15,718)**	**(2,953)**	**13,566**

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Represented by:		
Net deferred tax asset recognised in the consolidated balance sheet	**(14,527)**	(7,482)
Net deferred tax liability recognised in the consolidated balance sheet	**28,093**	20,987
	13,566	13,505

22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(p), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2013		2012	
	Deductible temporary differences/ tax losses *HK$'000*	**Deferred tax assets** *HK$'000*	Deductible temporary differences/ tax losses *HK$'000*	Deferred tax assets *HK$'000*
(i) Excess of tax written down values over accounting carrying values of certain fixed assets	**726**	**120**	1,523	251
(ii) Tax losses	**77,966**	**12,864**	70,307	11,601
	78,692	**12,984**	71,830	11,852

23 CAPITAL AND RESERVES

(a) Movements in components of equity

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

The Company

	Note	**Share capital** *HK$'000* *(note 23(b))*	**Share premium** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2012		356,274	1,398,527	2,000,789	3,755,590
Impact of change in accounting policy	*1(c)*	–	–	(5,985)	(5,985)
Restated balance at 1 January 2012		356,274	1,398,527	1,994,804	3,749,605
Changes in equity for 2012:					
Profit for the year (restated)		–	–	104,906	104,906
Other comprehensive income (restated)		–	–	1,102	1,102
Total comprehensive income (restated)		–	–	106,008	106,008
Dividends approved in respect of the previous year	*10*	–	–	(92,631)	(92,631)
Dividends declared in respect of the current year	*10*	–	–	(35,627)	(35,627)
Restated balance at 31 December 2012 and 1 January 2013		**356,274**	**1,398,527**	**1,972,554**	**3,727,355**
Changes in equity for 2013:					
Loss for the year		**–**	**–**	**(4,802)**	**(4,802)**
Other comprehensive income		**–**	**–**	**976**	**976**
Total comprehensive income		**–**	**–**	**(3,826)**	**(3,826)**
Dividends approved in respect of the previous year	*10*	**–**	**–**	**(92,631)**	**(92,631)**
Dividends declared in respect of the current year	*10*	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2013		**356,274**	**1,398,527**	**1,840,470**	**3,595,271**

23 CAPITAL AND RESERVES (Continued)

(b) Share capital

	Number of shares		Nominal value	
	2013	2012	**2013**	2012
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$1 each	**550,000,000**	550,000,000	**550,000**	550,000
Issued and fully paid:				
Ordinary shares of HK$1 each	**356,273,883**	356,273,883	**356,274**	356,274

There was no movement in share capital during the years ended 31 December 2013 and 2012.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) Securities revaluation reserve

The securities revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies adopted for the revaluation of securities (see note 1(f)).

(iii) Other capital reserves

The other capital reserves comprise the unrealised profit on inter-company interest capitalised under investment properties.

23 CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

The distributable reserves of the Company at 31 December 2013 amounted to HK$1,373,067,000 (2012 (restated): HK$1,505,104,000), as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance. After the balance sheet date the directors proposed a final dividend of HK26 cents (2012: HK26 cents) per ordinary share, amounting to HK$92,631,000 (2012: HK$92,631,000) (note 10). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. 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 the objectives, policies or processes during the years ended 31 December 2013 and 2012.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the financial guarantees given by the Group as set out in note 27, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loan to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Accounts (Continued)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2013 Contractual undiscounted cash outflow						2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	3,150,644	4,216	1,993	884	3,157,737	3,157,737	353,145	3,875	1,913	896	359,829	359,829

The Company

	2013 Contractual undiscounted cash outflow			2012 Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	Carrying amount at 31 December	Within 1 year or on demand	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	869,969	869,969	869,969	736,841	736,841	736,841
Trade and other payables	7,002	7,002	7,002	6,643	6,643	6,643
	876,971	876,971	876,971	743,484	743,484	743,484

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in a currency other than the Hong Kong dollars. The currencies giving rise to this risk are primarily Australian dollars and Renminbi.

In respect of cash and bank balances denominated in Australian dollars and Renminbi, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Other than the above, the Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

	2013		2012	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *HK$'000*
Australian dollars	**10%**	**–**	10%	23,570
	(10%)	**–**	(10%)	(23,570)
Renminbi	**10%**	**12,797**	10%	7,933
	(10%)	**(12,797)**	(10%)	(7,933)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profits after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2012.

(d) Equity price risk

The Group is exposed to equity price change arising from equity investments classified as available-for-sale securities (see note 16). Other than unquoted securities held for strategic purpose, all of these investments are listed.

Listed investments held in the available-for-sale securities portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

At 31 December 2013, it is estimated that an increase/decrease of 10% (2012: 10%) in the market prices of the investments in available-for-sale securities, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK$40,074,000 (2012: HK$71,159,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. The analysis is performed on the same basis for 2012.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

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

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

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

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

The Group has a team headed by the Chief Financial Officer performing valuations for the financial instruments and reports directly to the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the audit committee is held twice a year, to coincide with the reporting dates.

		Fair value measurements as at 31 December 2013 categorised into		
	Fair value at 31 December 2013 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
The Group				
Recurring fair value measurement				
Financial assets:				
Available-for-sale securities:				
– Listed	**400,743**	**400,743**	**–**	**–**

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale securities:				
– Listed	711,591	711,591	–	–

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2013 and 2012 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	Note	**Carrying amounts at 31 December 2013 HK$'000**	**Fair value at 31 December 2013 HK$'000**	Carrying amounts at 31 December 2012 HK$'000	Fair value at 31 December 2012 HK$'000
The Group					
Amounts due from associates	*(1)*	**5,497**	**–**	5,131	–
Available-for-sale securities:					
– Unlisted	*(2)*	**45**	**–**	45	–
The Company					
Amounts due from associates	*(1)*	**2,698**	**–**	2,902	–
Available-for-sale securities:					
– Unlisted	*(2)*	**45**	**–**	45	–
Amounts due from subsidiaries	*(3)*	**4,396,745**	**–**	4,395,070	–

Notes:

(1) The amounts due from associates (except for HK$5,652,000 (2012: HK$10,860,000) due from 2OK) are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

(2) These investments do not have a quoted market price in an active market and whose fair value cannot be realiably measured. They are recognised at cost less impairment losses.

(3) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

25 OPERATING LEASE COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 1 year	**3,517**	4,388
After 1 year but within 5 years	**3,616**	924
	7,133	5,312

The Group leases a number of retail outlets and offices under operating leases. The leases typically run for an initial period of two years. Lease payments are usually fixed during the period of the leases. None of the leases includes contingent rentals.

26 CAPITAL AND OTHER COMMITMENTS

Capital and other commitments outstanding at 31 December 2013 not provided for in the Group's consolidated accounts were as follows:

	2013	2012
	HK$'000	*HK$'000*
Contracted for	**706,721**	871,648
Authorised but not contracted for	**59,580**	131,418
	766,301	1,003,066

27 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2013, the Company has issued the following guarantees:

(a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and

(b) guarantees to bank in respective of banking facilities granted to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued above is the outstanding amount due to the relevant suppliers by its wholly-owned subsidiaries, being HK$1,119,000 (2012: HK$1,115,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors, chief executive and the highest paid employees as disclosed in notes 7 and 8 respectively, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Short-term employee benefits	**5,724**	6,704
Post-employment benefits	**92**	–
	5,816	6,704

Total remuneration is included in "staff costs" (see note 5(a)).

(b) Other material related party and connected transactions

(i) In 1998, the Group appointed a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") as the development and sales manager for the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost and 0.5% of the gross proceeds of sale of the residential portion of the redevelopment. At 31 December 2013, an amount of HK$18,000,000 (2012: HK$18,000,000) remained unpaid and was included in trade and other payables.

In 1999, the Group entered into a development agreement (the "Agreement") with HLD and two wholly-owned subsidiaries of HLD ("HLD Sub"), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2013, an amount of HK$7,884,000 (2012: HK$7,957,000) remained unpaid and was included in trade and other receivables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 31 December 2013. During the year, the Group received management and administrative fees in the total of HK$245,000 (2012: HK$380,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$145,000 (2012: HK$245,000) from 2OK. At 31 December 2013, the amount advanced by the Group totalling HK$5,652,000 (2012: HK$10,860,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

(iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$1,564,000 (2012: HK$1,452,000) was charged to the Group for the year. At 31 December 2013, an amount of HK$823,000 (2012: HK$779,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the year.

(iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong (the "TKT Property"). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee shall be subject to a total annual ceiling of HK$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$5,500,000 and HK$6,500,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively.

During the year ended 31 December 2013, there was no change in cost estimates. During the year ended 31 December 2012, as a result of change in the latest cost estimates, amounts of HK$6,854,000 and HK$343,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the TKT Property. At 31 December 2013, an amount of HK$2,294,000 (2012: HK$2,294,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(v) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold. At 31 December 2013, an amount of HK$1,104,000 (2012: HK$1,104,000) remained unpaid and was included in trade and other payables.

(vi) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the project manager of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the "Fanling Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK$6,763,000 (2012: HK$5,580,000) was charged to the Group for the year. At 31 December 2013, an amount of HK$17,095,000 (2012: HK$10,332,000) remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the Fanling Project Management Fee as set out in the Fanling Project Management Agreement of the respective years. The Group entered into the Supplemental Fanling Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD ("HLD Sub B"), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the Fanling Project Management Fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services were transferred and novated to HLD Sub B.

(vii) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the Fanling Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. In accordance with the contract entered into with the Group, an amount of HK$384,973,000 (2012: HK$250,699,000), of which HK$27,440,000 (2012: HK$42,694,000) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the Fanling Property. At 31 December 2013, an amount of HK$275,538,000 (2012: HK$175,543,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(viii) In March 2011, the Group appointed HLD Sub A as the project manager of the development of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK$927,000 (2012: HK$1,992,000) was charged to the Group for the year. At 31 December 2013, an amount of HK$3,253,000 (2012: HK$3,283,000) remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the TCS Project Management Fee as set out in the TCS Project Management Agreement of the respective years. The Group entered into the Supplemental TCS Project Management Agreement with HLD Sub A and HLD Sub B, pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the TCS Project Management Fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services were transferred and novated to HLD Sub B.

(ix) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the TCS Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. The construction has not commenced. No cost has been charged for the year ended 31 December 2013.

In January 2013, the Group revised the annual cap of the TCS Prime Cost Contract as set out in the TCS Prime Cost Contract of the respective years. The Group entered into the Supplemental TCS Prime Cost Contract with another wholly-owned subsidiary of HLD to revise the maximum annual aggregate amounts of the TCS Prime Costs and Fees.

(x) In July 2011, the Group as landlord and a wholly-owned subsidiary of HLD as tenant agreed to renew their tenancy agreement in respect of certain shops and spaces of MHP. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2011 at a monthly rental of HK$350,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for fourteen external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP for a term of three years commencing from 1 July 2011. Total annual licence fees payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement (the "Licence Agreements") is HK$60,000 and HK$6,600 respectively. The Tenancy Renewal Agreement and the Licence Agreements are subject to annual caps of respective years.

During the year, an amount of HK$8,119,000 (2012: HK$8,298,000), being aggregate rental and fees receivable under the aforementioned lease and licences, was credited to the Group.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(xi) In February 2012, the Group appointed a wholly-owned subsidiary of HLD as the contractor for carrying out the substructure works of TCS Property. In January 2013, the Group revised the annual cap of the substructure works of the respective years. The annual ceiling for the year ended 31 December 2012 and 31 December 2013 were HK$11,000,000 and HK$19,000,000 respectively. A total fee of HK$16,223,000 (2012: HK$10,405,000) was charged to the Group for the year. At 31 December 2013, an amount of HK$9,047,000 (2012: HK$10,405,000) remained unpaid and was included in trade and other payables.

(xii) In March 2012, the Group entered into a letter agreement with HLD Sub A and appointed HLD Sub A as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre (the "Premises") for the marketing services of the Fanling Property for the period from 20 March 2012 to the earlier of 15 June 2013 and the date on which the last residential unit of the Fanling Property is sold, subject to the respective ceilings of HK$7,500,000 for the period from 20 March 2012 to 31 December 2012 and HK$4,500,000 for the period from 1 January 2013 to 15 June 2013. The letter agreement expired on 15 June 2013.

In August 2013, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease the Premises for the continuation of the marketing services of the Fanling Property for the period from 16 June 2013 to the earlier of 15 October 2013 and the date on which the last residential unit of the Fanling Property is sold, subject to the ceiling of HK$4,300,000. The letter agreement expired on 15 October 2013.

In December 2013, the Group entered into a letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises for the continuation of the marketing services of the Fanling Property for the period from 16 October 2013 to the earlier of 31 December 2013 and the date on which the last residential unit of the Fanling Property is sold, subject to the ceiling of HK$2,687,500. The letter agreement expired on 31 December 2013.

A total fee of HK$10,410,000 (2012: HK$7,020,000) was charged to the Group for the year. At 31 December 2013, an amount of HK$12,653,000 (2012: HK$7,020,000) remained unpaid and was included in trade and other payables.

(xiii) In September 2013, the Group appointed HLD Sub A as the project manager of the development of Hung Hom Inland Lot No. 555 (the "Hung Hom Property") for a term of three years commencing from 5 September 2013 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Hung Hom Property and other lump sum fees for supplementary services subject to a ceiling of HK$2,500,000. A total fee of HK$1,280,000 was charged to the Group for the year. At 31 December 2013, an amount of HK$1,280,000 remained unpaid and was included in trade and other payables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(xiv) In December 2013, the Group appointed HLD Sub B as the sales manager of the development of the Hung Hom Property for a term of three years commencing from 1 January 2014 in consideration for a fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the annual ceilings for the year ending 31 December 2014, 31 December 2015 and 31 December 2016 of HK$2,500,000, HK$1,000,000 and HK$1,500,000 respectively. No cost has been charged for the year ended 31 December 2013.

(xv) At 31 December 2013, HLD (as defined in the Listing Rules) beneficially owned approximately 33.33% (2012: 31.36%) of the issued share capital of the Company.

Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HLD.

To the extent the above transactions constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 28(b)(vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii) and (xiv) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2013.

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 10.

30 COMPARATIVE FIGURES

As a result of the application of Revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to current year's presentation. Further details of this development are disclosed in note 1(c).

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

Up to the date of issue of these accounts, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these accounts. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	To be announced by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated accounts.

Five Years' Summary of Assets and Liabilities

Year	2009 *HK$ Million*	2010 *HK$ Million*	2011 *HK$ Million* Restated	2012 *HK$ Million* Restated	**2013** ***HK$ Million***
Fixed assets and interest in leasehold land	1,106	1,184	1,247	1,304	**1,367**
Interest in associates	80	40	25	22	**17**
Properties under development	–	1,511	2,050	2,361	**2,822**
Investments	854	661	493	716	**405**
Deferred tax assets	28	8	6	7	**14**
Current assets	2,396	1,249	1,118	1,154	**3,788**
Total assets	4,464	4,653	4,939	5,564	**8,413**
Total liabilities	363	228	216	421	**3,226**
Net assets employed	4,101	4,425	4,723	5,143	**5,187**

Note: In order to comply with Revised HKAS 19, *Employee benefits*, the Group changed its accounting policy with respect to defined benefit plans in 2013. This change in accounting policy has been applied retrospectively. As a result, profit and net assets for the year 2012 have been restated. Details of these changes in accounting policies are disclosed in note 1(c). Figures for the years 2009 and 2010 have not been restated as it would involve delay and expenses out of proportion to the benefits of shareholders.

Ten Years' Financial Summary

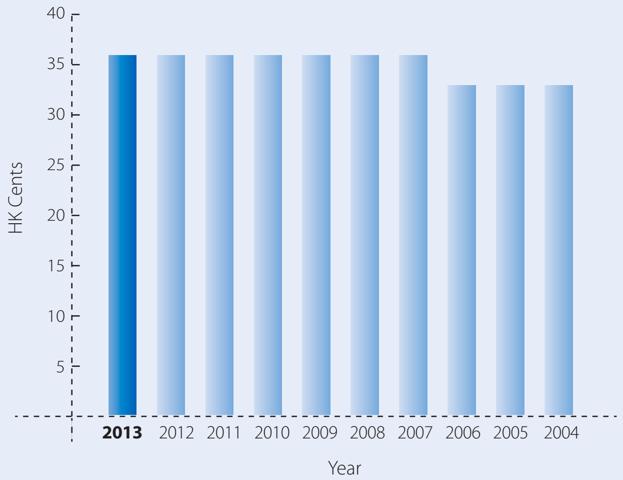
Year		2004	2005	2006	2007	2008	2009	2010	2011	2012 Restated	**2013**
Turnover	*HK$M*	994	764	708	673	522	2,139	912	635	616	**440**
Profit/(loss) attributable to shareholders	*HK$M*	328	257	131	389	(527)	1,095	483	565	397	**293**
Dividends	*HK$M*	118	118	118	128	128	128	128	128	128	**128**
Shareholders' funds	*HK$M*	3,207	3,381	3,411	3,713	2,973	4,101	4,425	4,729	5,143	**5,187**
Earnings/(loss) per share	*HK Cent*	92.0	72.1	36.8	109.2	(147.9)	307.5	135.6	158.6	111.5	**82.4**
Dividend per share	*HK Cent*	33.0	33.0	33.0	36.0	36.0	36.0	36.0	36.0	36.0	**36.0**
Dividend cover	*Times*	2.8	2.2	1.1	3.0	–	8.5	3.8	4.4	3.1	**2.3**
Return/(loss) on equity	*%*	10.2	7.6	3.9	10.5	(17.7)	26.7	10.9	12.0	7.7	**5.7**
Net assets per share	*HK$*	9.0	9.5	9.6	10.4	8.3	11.5	12.4	13.3	14.4	**14.6**

Note: In order to comply with Revised HKAS 19, *Employee benefits*, the Group changed its accounting policy with respect to defined benefit plans in 2013. This change in accounting policy has been applied retrospectively. As a result, profit and net assets for the year 2012 have been restated. Details of these changes in accounting policies are disclosed in note 1(c). Figures for the year 2011 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefits of shareholders.

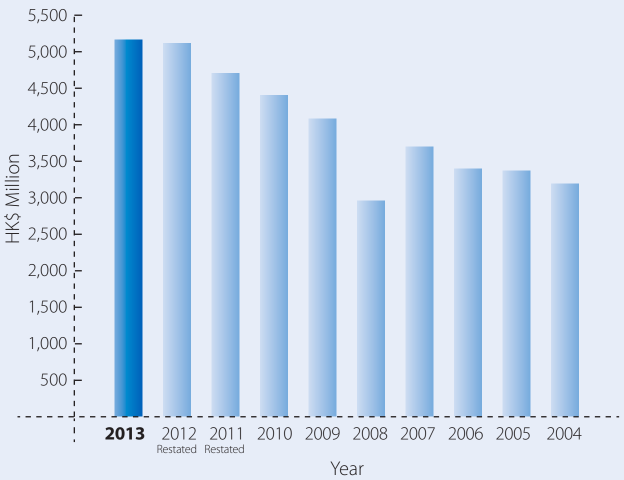
Ten Years' Financial Summary (Continued)

Dividends

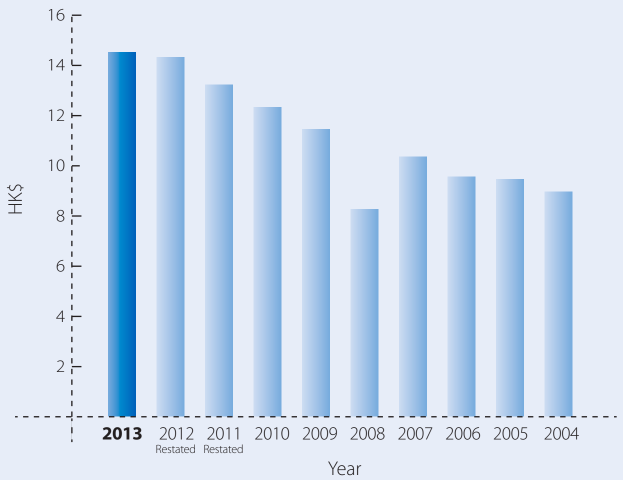
Dividend per share



Shareholders' funds



Net assets per share



Group Properties

As at 31 December 2013

1. PROPERTIES UNDER DEVELOPMENT

Location	Lot No.	Site area *(sq.m.)*	Gross floor area *(sq.m.)*	Group's interest *(%)*	Intended use
No. 1 Ma Sik Road, Fanling, New Territories (formerly known as Fanling, Sheung Shui Town Lot No. 177)	F.S.S.T.L. 177 (S.T.T. 1364(N))	8,900	50,278	100	Commercial and residential
208 Tung Chau Street (formerly known as 204-214 Tung Chau Street)	NKIL 48, s.B. R.P., s.B.ss.1R.P., R.P., s1& sH	614	5,016	100	Commercial and residential
Junction of Gillies Avenue South & Bulkeley Street, Hung Hom	Hung Hom I.L. No.555	582	5,240	100	Commercial and residential

2. PROPERTIES HELD FOR SALE

Location	Lot No.	Gross floor area *(sq.m.)*	Group's interest *(%)*	Existing use
Shining Heights 83 Sycamore Street	KIL 11159	1,061*	100	Residential
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	235*	100	Residential

3. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade

Group Properties (Continued)

As at 31 December 2013

3. PROPERTIES HELD FOR INVESTMENT (Continued)

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade

4. OTHER PROPERTIES

Location	Lot No.	Site area *(sq.m.)*	Lease expiry *(year)*	Group's interest *(%)*	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431-487, 569 and 635-637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos 498-499, and 588-591	849	2047	100	Agricultural land

* The area represents gross floor area of unsold units at 31 December 2013.

GREEN CODE
逸峯

No. 1 Ma Sik Road, Fanling, New Territories
新界粉嶺馬適路一號

Artist's impression
印象示意圖

Artist's impression
印象示意圖

During the year, the sale of the Group's Green Code at No. 1 Ma Sik Road, Fanling, New Territories (formerly known as Fanling Sheung Shui Town Lot No. 177) have been launched in mid-March 2013. The response from the buyers was good. An accumulated total of 691 units has been sold up to the end of 2013, and there are 37 unsold units.

年內，集團位於新界粉嶺馬適路一號「逸峯」（前稱粉嶺上水市地段第一百七十七號）已於二零一三年三月中旬開售，買家反應熱烈。截至二零一三年年底，累計已售出共六百九十一個單位，尚餘三十七個單位未出售。

BULKELEY STREET
寶其利街

Hung Hom Inland Lot No. 555
紅磡內地段第五百五十五號

Construction works of the site at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom Inland Lot No. 555, with a site area of approximately 6,300 sq. ft., is progressing well. The sale of the project is expected to be launched in 2014.

位於紅磡機利士南路及寶其利街交界之紅磡內地段第五百五十五號約六千三百平方呎之地盤，建築工程順利進行，該項目預計於二零一四年出售。

SHINING HEIGHTS
亮賢居

83 Sycamore Street
詩歌舞街83號

The residential units are currently on sale and 3 residential units remained unsold as at year end 2013. The project is a 60-storey building, 700 feet high, with gross floor area of approximately 336,000 sq.ft. It is the highest building in the district.

住宅單位現正發售及截至二零一三年年底，三個住宅單位尚待出售。該項目為樓高六十層，高七百呎，總樓面約三十三萬六千平方呎，乃該區最高之大廈。

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