YUGANG

YUGANG INTERNATIONAL LIMITED

Stock Code: 00613

2013

Annual Report

Contents

Corporate Information

(Updated as at 31 March 2014)

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Yuen Wing Shing *(Managing Director)*
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

Independent Non-Executive Directors

Mr. Luk Yu King, James
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

COMMITTEES

Executive Committee

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Yuen Wing Shing
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Audit Committee

Mr. Luk Yu King, James *(Chairman)*
Mr. Lee Ka Sze, Carmelo
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

Nomination Committee

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

Remuneration Committee

Mr. Leung Yu Ming, Steven *(Chairman)*
Mr. Cheung Chung Kiu
Mr. Ng Kwok Fu

AUTHORISED REPRESENTATIVES

Mr. Cheung Chung Kiu
Mr. Yuen Wing Shing

COMPANY SECRETARY

Mr. Albert T.da Rosa, Jr.

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Woo Kwan Lee & Lo
Cheung Tong & Rosa Solicitors

REGISTERED OFFICE

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Hamilton HM11
Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

WEBSITE ADDRESS

http://www.yugang.com.hk

STOCK CODE

00613

Chairman's Statement and Management Discussion and Analysis

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Yugang International Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

RESULTS

The Group reported a consolidated net profit of HK$189.7 million attributable to shareholders for the year ended 31 December 2013, representing an increase of HK$63.9 million or 50.9% from the last corresponding year. It was mainly attributable to an increase in the share of profit of an associate of HK$37.4 million due to increase in fair value gain of its investment properties, and a reversal of tax provisions of HK$29.5 million after taking into consideration the precedent of a Court of Final Appeal's case in similar issues. The performance of the Group's securities investments continued to improve for the year although the local stock market index at the year end was almost the same as last year. The share of profit of an associate was HK$199.6 million for the year which represented an increase of HK$37.4 million or 23.1% from the last corresponding year.

The basic earnings per share for the year was HK2.04 cents, representing an increase of HK0.69 cents from the last corresponding year.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.002 per share for the year ended 31 December 2013 (2012: Nil) to holders of ordinary shares whose names appear on the register of members of the Company on 10 June 2014. No interim dividend was declared for the financial year of 2013 and 2012. Subject to shareholders' approval at the annual general meeting of the Company to be held on 30 May 2014 (the "AGM"), the proposed final dividend will be paid to shareholders on or about 20 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 6 June 2014 to Tuesday, 10 June 2014, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar (the "Branch Registrar"), Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 5 June 2014. The final dividend will be paid to shareholders whose names appear on the register of members on 10 June 2014 and the payment date will be on or about 20 June 2014.

BUSINESS REVIEW

2013 remained a challenging year for Hong Kong as various uncertainties emerged to dampen investors' confidence. Following a sign of recovery of U.S. economy, the Federal Reserve mapped out an action plan for a gradual withdrawal of the quantitative easing monetary policy during the year. The successive tapering of bond purchase programs by Federal Reserve had stimulated a dramatic change of international capital fund flows, particularly in most of emerging markets, which caused a vigorous fluctuation in the exchange rate and financial markets. It therefore increased the volatility of global financial markets during the year.

On the other hand, the GDP growth of China was slowdown during the year as the new leaders of the PRC had shifted their previous focus of economic boost to economic reforms targeting a long-sustained economic growth in the future, which may, in the short term, result in a low GDP growth as the reforms need more time filtering through to the economy of China. Therefore, the fear of economic hard-landing of China arose in the mid of the year and brought a fear of liquidity crunch in China's interbank market which caused a slump in asset prices of local financial market in June. However, the stock market gradually rebounded in the second half of the year which resulted in an overall minor gain of Hang Seng Index for the year. The Group's treasury management recorded a positive return which in turn made an improvement in the Group's performance.

Chairman's Statement and Management Discussion and Analysis

Property Investment and Infrastructure Business

Property Investment Business

The Group is carrying on its property investment business principally through Y. T. Realty Group Limited ("Y. T. Realty"), an associate of the Group and the shares of which are traded on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal investment properties held by Y. T. Realty include the whole block of Century Square and Prestige Tower, which are situated in the core districts of Central and Tsimshatsui respectively.

During the year, the growth of Hong Kong economy was dragged by economic slowdown of Mainland China. In addition, the Hong Kong government implemented various policies to cool down the property market which rendered a downward pressure on the property price. Local consumptions were more or less affected. However, the number of Mainland tourists visiting Hong Kong continued to rise over the last year, notwithstanding they reduced lavish spending on luxury items due to the anti-corruption policy of the PRC. The growing number of Mainland tourist arrival remained a strong support to the demand for office and retail space in prime location during the year. In addition, the positioning of investment properties of Y. T. Realty as an up-market fashion hub with a beauty facade successfully attracted and retained some famous brands at favorable rent. Therefore, Y. T. Realty maintained a stable growth in rental income and rental rates, and maintaining high occupancy rate of over 97% for the year. The gross rental income of Y. T. Realty for the year was HK$192.2 million, representing a growth of 10.8% over the last corresponding year.

In addition, the investment properties of Y. T. Realty were revalued by an independent professional valuer and recorded a fair value gain of HK$273.3 million at 31 December 2013 (2012: HK$196.1 million). The net profit after tax of Y. T. Realty was HK$584.7 million for the year, representing an increase of HK$109.5 million or 23.1% from the last corresponding year.

Infrastructure Business

The infrastructure business of the Group comprises investments in tunnels, transports and logistic operations. It is carrying on through The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), whose shares are traded on the main board of the Stock Exchange. Cross-Harbour currently holds 50% and 39.5% equity interests in Western Harbour Tunnel Company Limited and Tate's Cairn Tunnel Company Limited respectively, both of which generate a stable stream of toll income.

The tunnel operations continued to grow for the year as the toll demand remained strong. It was attributable to the low unemployment, high income and strong consumers' confidence of Hong Kong which provided a support to the growth of the average daily throughput of the tunnel operations for the year.

The net profit after tax and non-controlling interests of Cross-Harbour for the year was HK$440.2 million, representing an increase of 9.0% from the last corresponding year.

Treasury Management

The local stock market was quite volatile in 2013 with fluctuation of Hang Seng Index over 4,000 points. During the first half of the year, the stock market was adversely impacted by some negative factors, including the announcement of possible withdrawal of quantitative easing monetary policy by the Federal Reserve, and the possible implementation of economic reforms by China which may impact a slowdown in the economy of China in short term. The stock market almost fell to bottom of the year in June due to the fear of liquidity crunch in China's interbank market. However, the stock market rebounded in the second half of the year and Hang Seng Index overall recorded a minor gain from last year.

The performance of the Group's treasury management for the year was quite satisfactory when compared against the stock market. It recorded unrealised fair value gains of HK$23.3 million on listed equity investments (2012: HK$30.5 million) and realised gains of HK$6.9 million on disposal of listed equity investments for the year (2012: losses of HK$4.4 million).

Chairman's Statement and Management Discussion and Analysis

OUTLOOK AND STRATEGY

Looking into 2014, the Group is cautiously optimistic as the economic recovery of the U.S. is expected to remain in a good track which may induce the Federal Reserve to maintain a steady pace for withdrawal of quantitative easing monetary policy. The economic recovery of the U.S. may stimulate the revival of the global economy. In addition, the Central Government of China has determined to maintain a GDP growth of 7.5% in 2014 which is higher than market expectation. Further, the expectation of announcing more details of economic reforms may support the stock market in 2014. Therefore, the performance of the Group's treasury management during the first half of 2014 is expected to be stable as it moves in line with the stock market.

On the other hand, the local government is expected to continue the existing cooling measures for property market in 2014 which may inevitably create downward adjustment on the property value, both in terms of price and rental rate. These measures may not have significant effect on the rental income of the investment properties of Y. T. Realty as the occupancy rate was kept at 97%, notwithstanding the upward potential of rental rate may be limited.

The Group has focused on strategic expansion and diversification of business in prior years which have been proved successful and thereby strengthened the contribution to the Group's net profit in the long term. The Group will continue to strengthen its core competencies in the main business segments as well as explore related business opportunities. However, the Group will adopt a prudent approach in pursuing a long-term strategic growth that give the Group sound financial and management capabilities.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$10.3 million for the year (2012: negative revenue of HK$1.3 million). It was mainly attributable to gains of HK$6.9 million (2012: losses of HK$4.4 million) on disposal of listed equity investments.

Other Comprehensive Income

The Group recorded other comprehensive loss of HK$200.2 million for the year whereas other comprehensive income of HK$348.7 million was recorded for the last corresponding year. It was mainly attributable to a fair value loss of HK$199.2 million on available-for-sale investments of the Group for the year whereas a fair value gain of HK$332.0 million on available-for-sale investments was recorded for the last corresponding year.

Net Asset Value

The consolidated net asset value of the Group as at 31 December 2013 was HK$2,492.5 million, representing a decrease of HK$10.5 million or 0.4%. The consolidated net asset value per share of the Group as at 31 December 2013 was HK$0.268. The Group's total assets and total liabilities were HK$2,725.2 million and HK$232.7 million respectively.

Capital Structure

The Group's capital expenditure and investments were mainly funded from cash on hand, internally-generated funds and bank borrowings.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars and Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Chairman's Statement and Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2013, the Group's cash and cash equivalent was HK$27.6 million. The cash and cash equivalent and the listed equity investment in aggregate was HK$187.7 million. The liquidity of the Group improved for the year with a current ratio of about 1.2 as at 31 December 2013 (2012: 0.9).

The bank borrowings of the Group as at 31 December 2013 was HK$212.0 million which comprised a term loan of HK$57.0 million repayable within five years and short-term revolving loans of HK$155.0 million. All bank loans were denominated in Hong Kong dollars.

The maturity profile of the Group's bank borrowings was set out as follows:

	HK$
Due within one year or on demand	163,000,000
Due more than one year but not exceeding two years	12,000,000
Due more than two years but not exceeding five years	37,000,000
Total	212,000,000

The Group had unutilized short-term banking facilities of approximately HK$45.0 million as at 31 December 2013.

Gearing Ratio

As at 31 December 2013, the gearing ratio of the Group, measured by dividing the net debt to shareholders' equity, increased to 8.2% (2012: 7.5%). Net debt was interest-bearing bank borrowings, other payables and accruals, net of cash and cash equivalents.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2013.

Exposure to Fluctuation in Exchange Rates and Related Hedges

The Group's major source of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and U.S. dollars. The Group had certain listed equity investment denominated in foreign currencies which represented only 3.3% of the Group's net asset value. Hence, the Group's exposure to fluctuation in foreign exchange rates is minimal and the Group did not have any related hedging instruments.

Charges on Group Assets

As at 31 December 2013, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$77.2 million and time deposits of approximately HK$9.5 million as securities for general banking facilities granted to the Group.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The Group continuously holds two significant investments for long term, which are an investment in an associate and an available-for-sale investment.

The Group held an equity interest in C C Land Holdings Limited ("C C Land", the shares of which are listed on the main board of the Stock Exchange) which was classified as an available-for-sale investment of the Group. The carrying value of C C Land was stated in fair value of HK$507.8 million as at 31 December 2013 (2012: HK$708.3 million). A fair value loss of HK$200.5 million was therefore recorded for the year which was accounted for in a reserve account and recognised as other comprehensive loss in the Consolidated Statement of Comprehensive Income. The Group received a final dividend income of HK$11.7 million for the year (2012: a scrip dividend income of HK$10.2 million). There was no special dividend for the year (2012: a special interim dividend in form of specie distribution of the shares of Qualipak International Holdings Limited ("Qualipak", the shares of which are listed on the main board of the Stock Exchange) at a fair value of HK$20.7 million resulted from the spin-off of Qualipak).

The Group held a substantial equity interest in Y. T. Realty which was classified as an investment in an associate. The carrying value of investment in Y. T. Realty was HK$1,903.4 million as at 31 December 2013. The net profit after tax of Y. T. Realty was HK$584.7 million and the Group's share of profit of an associate was HK$199.6 million for the year (2012: HK$162.2 million).

Save as disclosed above, there was no other significant investment held, nor were there any material acquisitions or disposals of subsidiaries during the year under review. There was no present plan for material investments or acquisition of material capital assets as at the date of this Annual Report.

Comment on Segment Information

Discussion and comments on the Group's segments, including the changes and development, were covered in the Business Review section of the Management Discussion and Analysis. The segment information and operating results were set out in note 4 of the Notes to Financial Statements in this Annual Report.

Save as disclosed herein, there were no significant changes in the market conditions, new products and services introduced that had significantly affected the Group's performance.

OTHER INFORMATION

Human Resources Practices

The Group's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors including economic situation and inflation. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken, employment conditions elsewhere in the Group and salaries paid by comparable companies will all be considered.

There are 35 staffs working for the Group as at 31 December 2013. The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to management and all staff for their diligence and dedication to the Company throughout the year.

Cheung Chung Kiu
Chairman

Hong Kong, 25 March 2014

Corporate Governance Report

Dear shareholders

On behalf of the board ("Board") of directors ("Directors") of Yugang international Limited (the "Company"), I am pleased to present the Corporate Governance Report which illustrates the corporate governance practices of the Company during the financial year of 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to an ongoing enhancement of effective and efficient corporate governance practices. The Board recognizes that good corporate governance practices are essential in bringing up the success of the Company, upholding accountability and transparency, and balancing the interests of shareholders, investors and employees as a whole.

Except for deviation of code provision D.1.4 with reasons explained hereunder, the Company had complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2013.

In respect of code provision D.1.4, the Company does not have formal letters of appointment for Directors setting out key terms and conditions of their appointment. The Company is of the view that the current arrangement is more appropriate and flexible, particularly in light of the current business activities and operational structure of the Company. All Directors have been serving the Company for long period of time and a clear understanding of terms and conditions of their appointment already exists between the Company and Directors. Additionally, each Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years pursuant to bye-laws of the Company ("Bye-Laws").

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 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. The Company uses various communication channels to promptly inform Directors on any updates on the Model Code released by the Stock Exchange, and reminds Directors to adhere to the Model Code accordingly.

Following specific enquiry by the Company, each Director confirmed that throughout the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code.

The Company has also adopted the code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standards set out in the Model Code.

Corporate Governance Report

THE BOARD

A. Board Composition

The Company is headed by an effective Board which collectively responsible for promoting the success of the Company, and to balance the long-term interest of shareholders and stakeholders.

The Board is chaired by Mr. Cheung Chung Kiu which currently comprises nine Directors, of whom five are executive Directors, one non-executive Director and three independent non-executive Directors. That is, one-third of the Board is independent non-executive Directors which complied with Rule 3.10 and 3.10A of the Listing Rules. Such balanced composition of executive and non-executive Directors ensures a strong independent element on the Board, and provides adequate check and balance to safeguarding the interest of shareholders and the Company as a whole. All Directors have a balance of skills and experience appropriate for the requirement of the business of the Company. They are experienced personnel with academic or professional qualifications either in accounting, legal or business management and at least one of whom has appropriate professional qualification of accounting or related financial management expertise.

Mr. Zhang Qing Xin, an executive Director, is the father of the chairman, Mr. Cheung Chung Kiu. Save as disclosed herein, none of Directors has any relationship (including financial, business, family or other material/relevant relations) between each other.

The list of Directors and their biographical details including relationship with members of the Board, senior management and substantial shareholders are set out in the section headed "Profiles of Directors and Senior Management" on pages 31 and 32 of the Annual Report.

The following chart illustrates the current Board composition including Board Committees:

Board of Directors

Executive Directors	Non-Executive Director	Independent Non-Executive Directors
• Cheung Chung Kiu (Chairman) • Yuen Wing Shing (Managing Director) • Zhang Qing Xin • Lam Hiu Lo • Liang Kang	• Lee Ka Sze, Carmelo	• Luk Yu King, James • Leung Yu Ming, Steven • Ng Kwok Fu

Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee
• Cheung Chung Kiu (Chairman) • Yuen Wing Shing • Zhang Qing Xin • Lam Hiu Lo • Liang Kang	• Luk Yu King, James (Chairman) • Lee Ka Sze, Carmelo • Leung Yu Ming, Steven • Ng Kwok Fu	• Cheung Chung Kiu (Chairman) • Leung Yu Ming, Steven • Ng Kwok Fu	• Leung Yu Ming, Steven (Chairman) • Cheung Chung Kiu • Ng Kwok Fu

Corporate Governance Report

B. Board Diversity Policy

The Company recognizes and embraces that Board diversity is one of the essential elements to enhance the quality and performance of the Board. On 26 August 2013, the Company adopted the Board Diversity Policy which aims to set out the approach to achieve diversity on the Board.

The Nomination Committee is responsible for making recommendations to the Board on the appointment and re-appointment of Directors based on the Nomination Policy and the Board Diversity Policy. The selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointment will be based on merit and contribution that the selected candidate will bring to the Board, having due regard to the Company's principal activities and specific needs, as well as benefits of diversity on the Board.

On a meeting of the Nomination Committee held on 20 March 2014, the Nomination Committee has reviewed the Board composition and recommended the re-election of Directors according to the Nomination Policy, having due regard to the Company's principal activities and specific needs, as well as benefits of diversity on the Board. The Nomination Committee has reviewed and monitored the implementation of the Board Diversity Policy, and agreed on the effectiveness of the measurable objectives of the policy.

C. Chairman and Managing Director

The role of the Chairman and Managing Director are separately assumed and performed by Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing respectively and their responsibilities are clearly identified in writing and segregated. There is a clear distinction between the Chairman's responsibility for management of the Board and Managing Director's responsibility for running the day-to-day business of the Company in order to ensure a balance of power and authority. The key responsibilities of the Chairman and Managing Director are set out hereunder:

Key Responsibilities of the Chairman

Mr. Cheung Chung Kiu was appointed the Chairman of the Board in 1993. The primary role and key responsibilities of the Chairman include the followings:

1. To provide leadership for and overseeing the functioning of the Board to ensure its effectiveness;
2. To sketch business development plans, formulate overall strategies, objectives and policies of the Company;
3. To draw up and approve the agenda for each Board meeting, and ensure matters proposed by Directors will be included in the agenda;
4. To ensure each Director is giving an opportunity to express his view at Board meetings, allow sufficient time for discussion and that each Director is properly briefed on issues arising at Board meetings;
5. To ensure all Directors will receive, in a timely manner, adequate information which are accurate, clear, complete and reliable;
6. To ensure good corporate governance practices and procedures are established; and
7. To ensure appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

Key Responsibilities of Managing Director

Mr. Yuen Wing Shing was appointed Managing Director of the Company in 2005 who takes the role of CEO as described in Appendix 14 to the Listing Rules. The primary role and key responsibilities of CEO are as follows:

1. To provide leadership for the implementation of the Company's objectives, policies and strategies;
2. To be responsible for the day-to-day management of the Company;
3. To be responsible for setting up budgets, monitoring performance of management and effectiveness of the Company;
4. To be responsible for establishing and maintaining proper internal control system of the Group;
5. To ensure such actions is taken as is necessary to secure the timely and effective implementation of objectives, policies and strategies set by the Board and other decisions taken by or on behalf of the Board; and
6. To ensure the Company's operational divisions and departments function effectively.

D. Independent Non-executive Directors ("INEDs")

Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu are appointed the INEDs of the Company, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. They have made a positive contribution to the development of the Company's strategy and policies by giving independent, constructive and informed comments.

The Company has obtained written confirmation of independence from all INEDs pursuant to Rule 3.13 of the Listing Rules. On 20 March 2014, the Nomination Committee has assessed and reviewed the individual INED's confirmation of independence based on the independent criteria as set out in Rule 3.13 of the Listing Rules, and affirmed that all INEDs remained independent.

E. Responsibilities of Directors

Every Director is required to keep abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. In-house briefings on regulatory updates and relevant continuous professional development seminars have been provided at the Company's expenses.

The functions of non-executive Directors have included the functions specified in Code Provision A.6.2 (a) to (d) of the Listing Rules.

Every Director is aware of his obligation to give sufficient time and attention to the affairs of the Company and should not accept the appointment if he cannot do so. Every Director has attended regular Board meetings, committee meetings and annual general meeting during the year under review.

F. Directors' Attendance and Time Commitment

The Board members meet regularly to review and discuss the overall strategy, operational and financial performance of the Company. Normally four regular meetings of the full Board will be held at quarterly intervals and special ad hoc Board meetings will be convened when necessary to deal with everyday matters which require the Board's prompt decision, and are usually attended to by executive Directors only.

Corporate Governance Report

In addition, the Company has established various Board committees including Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee. Members of the committees have met at least annually to conduct business of the committees. All Directors are experienced personnel with academic or professional qualifications either in accounting, legal or business management, and who have given the Board and Board committees the benefits of their skills, expertise, backgrounds and qualifications through regular attendance and active participation. All Directors have attended the 2013 annual general meeting and have developed a balanced understanding of the views of shareholders in general.

Moreover, during the year under review, the chairman of the Board held a meeting with non-executive Directors and INEDs without the presence of executive Directors.

During the year of 2013, the attendance records of Directors at regular Board meetings, Board committee meetings and the 2013 annual general meeting are set out hereunder:

	Number of meetings attended/held				
	Regular Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2013 Annual General Meeting
Number of meetings held	4	3	1	1	1
Executive Directors					
Cheung Chung Kiu (Chairman)	4/4	N/A	1/1	1/1	1/1
Yuen Wing Shing (Managing Director)	4/4	3/3	1/1	1/1	1/1
Zhang Qing Xin	4/4	N/A	N/A	N/A	1/1
Lam Hiu Lo	4/4	N/A	N/A	N/A	1/1
Liang Kang	4/4	N/A	N/A	N/A	1/1
Non-Executive Director					
Lee Ka Sze, Carmelo	4/4	3/3	N/A	N/A	1/1
Independent Non-Executive Directors					
Luk Yu King, James	4/4	3/3	N/A	N/A	1/1
Leung Yu Ming, Steven	4/4	3/3	1/1	1/1	1/1
Ng Kwok Fu	4/4	3/3	1/1	1/1	1/1

Upon reviewing (i) the attendance rates of each Director in annual general meeting, regular Board meetings and their respective board committee meetings; (ii) written confirmation of Directors regarding the number and nature of offices held in public companies or organisations and other significant commitments pursuant to code provision A.6.6; (iii) written confirmation of Directors to give sufficient time and attention to the affairs of the Company throughout the term of their appointment; the Board is of the view that all Directors have spent sufficient time in performing their responsibilities during the year under review.

Corporate Governance Report

G. Induction and Continuous Professional Development of Directors

Every newly appointed Director had/will receive(d) a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently further briefings and continuous professional development will be arranged if necessary, to ensure each Director has a proper understanding of the Company's operations and business and that he is fully aware of his responsibilities under statute and common law, the Listing Rules and all other applicable regulations and governance.

The Company admitted that Directors' training is an ongoing process. During the year under review, all Directors have been updated on the latest developments of Listing Rules, Companies Ordinance and other applicable laws and regulations related to Directors' duties and responsibilities. In addition, the Company Secretarial Department have arranged some training courses and encouraged Directors to attend at the Company's expenses. Directors are requested to provide records of training to the Company Secretarial Department. All Directors confirmed that they have complied with code provision A.6.5 to the Listing Rules by attending various continuous professional development seminars/in-house briefings/reading relevant materials relevant to Directors' duties and responsibilities.

Directors' Participation in Continuous Professional Development Training

Name	Area of Training					
	Corporate Governance/ Regulatory Updates		Operation/Industry		Finance	
	Seminar/ Conference	E-learning/ Reading Materials	Seminar/ Conference	E-learning/ Reading Materials	Seminar/ Conference	E-learning/ Reading Materials
Cheung Chung Kiu	√	√	√	√		√
Yuen Wing Shing	√	√	√	√	√	√
Zhang Qing Xin	√	√	√	√		√
Lam Hiu Lo	√	√	√	√		√
Liang Kang	√	√	√	√	√	√
Lee Ka Sze, Carmelo	√		√			
Luk Yu King, James	√	√	√	√	√	√
Leung Yu Ming, Steven	√	√	√	√	√	√
Ng Kwok Fu	√	√	√	√	√	√

Corporate Governance Report

H. Supply of and Access to Information

The management has supplied the Board and Board Committees with adequate information in a timely manner to enable the Board to make informed decisions and to perform their duties and responsibilities as Director of the Company.

Generally, notice of Board meetings together with the proposed agenda have been/will be given to all Directors at least 14 days before each Board meeting and Directors are given an opportunity to include matters in the agenda. Agendas and accompanying Board papers have been provided to Directors in accordance with code provision A.7.1.

Minutes of Board/Board Committee meetings with details of matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, after circulation for comments by Directors, are kept by the company secretary and are open for inspection by Directors if necessary.

All Directors have access to the advices and services of the company secretary to ensure necessary Board procedures and all applicable rules and regulations are followed. All Directors are regularly updated on governance and regulatory matters. Directors, upon reasonable request, may have access to independent professional advice in appropriate circumstances at the Company's expenses.

The Company has arranged appropriate insurance cover in respect of legal action against Directors.

The Board is fully aware that, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of circulation or by a committee (except for an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting will be held. INEDs who, and whose associates, have no material interest in the transaction will be present at such Board meeting.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has adopted the Nomination Policy which describes the process by which the Company will select candidate(s) for possible inclusion in the Board. The Nomination Committee is responsible for making recommendation to the Board for the appointment or re-appointment of Directors and succession planning for Directors, subject to election or re-election by shareholders of the Company at the general meeting. All Directors submitted for election or re-election have been accompanied by a relevant biographical details (including other directorships held in listed public companies in the last three years and other major appointments) to enable shareholders to make an informed decision on their election.

Pursuant to Bye-Laws, all non-executive Directors are appointed for a specific term of not more than three years expiring at the conclusion of the annual general meeting of the Company to be held in the third year following the year of appointment. All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, is required to retire by rotation once every three years and that one-third of Directors for the time being (or, if the number is not a multiple of three, the nearest to but not less than one-third) shall retire from office by rotation. Retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

Corporate Governance Report

On 20 March 2014, the Nomination Committee considered the current Board composition and nominated the re-appointment of Mr. Yuen Wing Shing, Mr Lam Hiu Lo and Mr Liang Kang to stand for election by shareholders at the AGM. The nominations were made in accordance with the Nomination Policy and by reference to the objective criteria set out in the Board Diversity Policy which was adopted by the Company on 26 August 2013. The criteria includes but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with due regard to the Company's principal activities and specific needs, as well as benefits of diversity on the Board.

On 25 March 2014, the Nomination Committee's nominations were duly accepted and approved by the Board. As a good corporate governance practice, all re-elected Directors abstained from voting at the Board meeting on their nomination. All re-elected Directors do not have any service contracts with the Company that are not determinable by the Company within one year without compensation (other than statutory compensation). Biographical details of re-elected Directors will be set out in the circular to shareholders to be sent together with the 2013 Annual Report and posted under the website of the Company and the Stock Exchange.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted the Remuneration Policy to determine Directors' remuneration and/or remuneration packages.

A. Remuneration Policy

The Company's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice as well as sufficiently enough to attract and retain Directors to run the Company successfully without paying more than necessary. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered. The Remuneration Committee also ensures that no individual Directors are involved in deciding their own remuneration.

B. Remuneration Committee

The Remuneration Committee, comprising a majority of INEDs and chaired by Mr. Leung Yu Ming, Steven, was established on 30 June 2005. Other members include Mr. Cheung Chung Kiu and Mr. Ng Kwok Fu. The head of Human Resources Department serves as the secretary of the Remuneration Committee and minutes of the meetings are sent to members of the Remuneration Committee within a reasonable time after the meetings. The major role and functions of the Remuneration Committee are set out in its terms of reference which are published on the website of the Company and the Stock Exchange.

The Remuneration Committee consulted the chairman and Managing Director on the remuneration proposals of executive Directors, and taking into consideration other relevant factors including corporate goals and objectives of the Company in recommending remuneration of Directors. The Company has provided sufficient resources for them to perform the duties and they may access to professional advice if considered necessary.

Corporate Governance Report

The Remuneration Committee has convened one meeting during the financial year of 2013. In dealing with remuneration packages of Directors, no member of the Remuneration Committee was involved in deciding his own remuneration packages. A summary of work performed by the Remuneration Committee is set out as follows:

(a) to make recommendation to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;

(b) to review and approve the management's remuneration proposal with reference to the Board's corporate goals and objectives;

(c) to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendation to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

Attendance of Remuneration Committee is set out in the table on page 12.

ACCOUNTABILITY AND AUDIT

A. Directors' Responsibility for Financial Reporting

The Board acknowledges the responsibility to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospect. The Board further acknowledges the responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures in accordance with the Listing Rules and other statutory requirements and applicable accounting standards, so as to give a true and fair view of the state of affairs of the Company. The Directors also ensure the timely publication of the financial statements of the Group by publishing the annual and interim reports within 3 months and 2 months respectively after the end of the relevant periods to provide shareholders and stakeholders with transparent and timely financial information.

Management undertakes to provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before the Board for approval. Since April 2012 onwards, management have provided all members of the Board with monthly financial updates which gave a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2013, the Board:

(a) adopted HKFRSs, which conform to the International Financial Reporting Standards;

(b) selected suitable accounting policies and applied them consistently;

(c) made prudent and reasonable judgments and estimates;

(d) prepare the accounts on a going concern.

Corporate Governance Report

B. Internal Controls

The Board acknowledges the responsibilities of establishing, maintaining and operating sound and effective internal controls to safeguard shareholders' investment and the Company's assets. The Group's internal controls comprise a well-established organizational structure, a comprehensive budgeting, reporting, policies and procedures, aims to identify and manage risks that could adversely hinder the achievement of the business objectives of the Company, provide reasonable, albeit not absolute, assurance against failure in operational system, material error, loss or fraud to the Company.

An annual review on the effectiveness of the internal control system of the Group had been conducted by the Board and reviewed by the Audit Committee, covering all material controls, including financial, operational and compliance control and risk management functions. The annual review had, in particular, considered the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting and financial reporting function.

The Board is of the view that, the internal control system of the Group for the year under review and up to the date of issuance of the annual report, is sound and sufficient to safeguarding the interests of shareholders and assets of the Company. There were no suspected frauds, material error, misstatement and irregularities, nor infringement of applicable laws, rules and regulations that had come to the Board's attention.

C. Inside Information Policy

The Board has adopted the Inside Information Policy in line with the new "Inside Information" disclosure regime under the Securities and Future Ordinance on 31 December 2012. This policy sets out a framework and guidelines to the Directors, officers and all employees of the Group in dealing with, control and release of inside information of the Group, and to ensure that inside information can be promptly identified, assessed and broadly disseminated to the public in equal and timely manner in accordance with the Listing Rules, applicable laws and regulations.

D. Code of Conduct

The Company considers that ethical corporate culture and employees' honesty and integrity are of vital importance in order to ensure the Company's reputation and that it will not be tarnished by dishonesty, disloyalty or corruption. The Company therefore adopted and formulated the Code of Conduct, setting out a serious of defined ethical standards of behaviour and guidelines for employees to follow.

E. Audit Committee

The Company established the Audit Committee on 30 June 2005 which is chaired by Mr. Luk Yu King, James, with other members including Mr. Lee Ka Sze, Carmelo, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu. The composition of the Audit Committee comprises a majority of INEDs with diversified industry experience, such as accounting, legal, commercial or management sectors. The chairman has appropriate professional qualifications and experiences in accounting matters.

The Audit Committee has been provided with sufficient resources to perform its duties. The Audit Committee meets regularly since its establishment and three meetings were held in 2013. Full minutes of Audit Committee meetings were kept by the company secretary. Draft and final version of minutes of the Audit Committee meetings were sent to all members of the committee for comments and records within a reasonable time.

Corporate Governance Report

The works and duties performed by the Audit Committee during the year of 2013 can be summarised as follows:

(a) to review the annual financial statements of the Company and its subsidiaries for the year ended 31 December 2013 and the interim financial statements for the six-month ended 30 June 2013; and to review significant financial reporting judgments contained in them;

(b) to review the 2013 annual report and 2013 interim report;

(c) to review and discuss the Company's financial reporting system and internal control procedures including, inter alia, the followings:

 i) the Company's financial controls, internal control and risk management systems;

 ii) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

 iii) the need to set up an internal audit function;

 iv) the Group's financial and accounting policies and practices;

 v) To review if any employees has raised concerns about any possible improprieties in the Company's financial reporting, internal control or other matters;

(d) to make recommendations to the Board regarding the re-appointment of the Company's external auditors, their remuneration and terms of engagement;

(e) to review and monitor the auditors' independence and objectivity and effectiveness of the audit process;

(f) to review the policy on engagement of an external auditors to supply non-audit service, including considering whether any action or improvement is needed and making recommendations to the Board as to the steps to be taken.

Attendance of Audit Committee is set out in the table on page 12.

External Auditors and their Remuneration

The Company's external auditors is Messrs. Ernst & Young. The auditors' acknowledgment of their reporting responsibilities is set out in the Independent Auditors' Report on pages 33 and 34 of the Annual Report. The independence of the external auditors is monitored by the Audit Committee. Apart from providing audit services of the Group's consolidated annual financial statements, the auditors also engaged in some non-audit services such as performing a review on the interim results and tax compliance service, all appointments are in line with the Company's Policy on Use of External Auditors for Non-audit Services.

During the year under review, the remuneration paid/payable to the auditors is as follows:

Services rendered	Fees paid/payable *(HK$)*
Audit fee	1,328,000
Non-audit Fee (Note)	306,400
Total:	1,634,400

Note: Non-audit fee includes a fee of HK$230,000 for agreed-upon procedures on interim financial report and tax compliance service fee of HK$76,400.

Corporate Governance Report

BOARD DELEGATION

A. Management Functions

The Board steers the Company's business direction. The day-to-day management, administration and operation of the Company have been delegated to management. The Executive Committee, chaired by Chairman of the Board and comprised all executive Directors, has an enhanced executive role of management and undertakes full accountability to the Board for the operation of the Group. Directions as to the powers delegated to the Management are clearly identified. The Board shall review the delegation arrangements periodically to ensure they remain appropriate to the Company's need.

B. Functions reserved to the Board

The Board has reserved the following functions to the Board. Or, the management in dealing with the following functions on behalf of the Board or the Company, prior approval from the Board is required:

(a) To formulate the long-term corporate strategy and setting business development plans;

(b) To declare an interim dividend, to recommend a final dividend or to declare or recommend other distribution;

(c) Supervising and monitoring performance of management;

(d) Reviewing the effectiveness of the system of internal control including financial, operational, compliance and risk management;

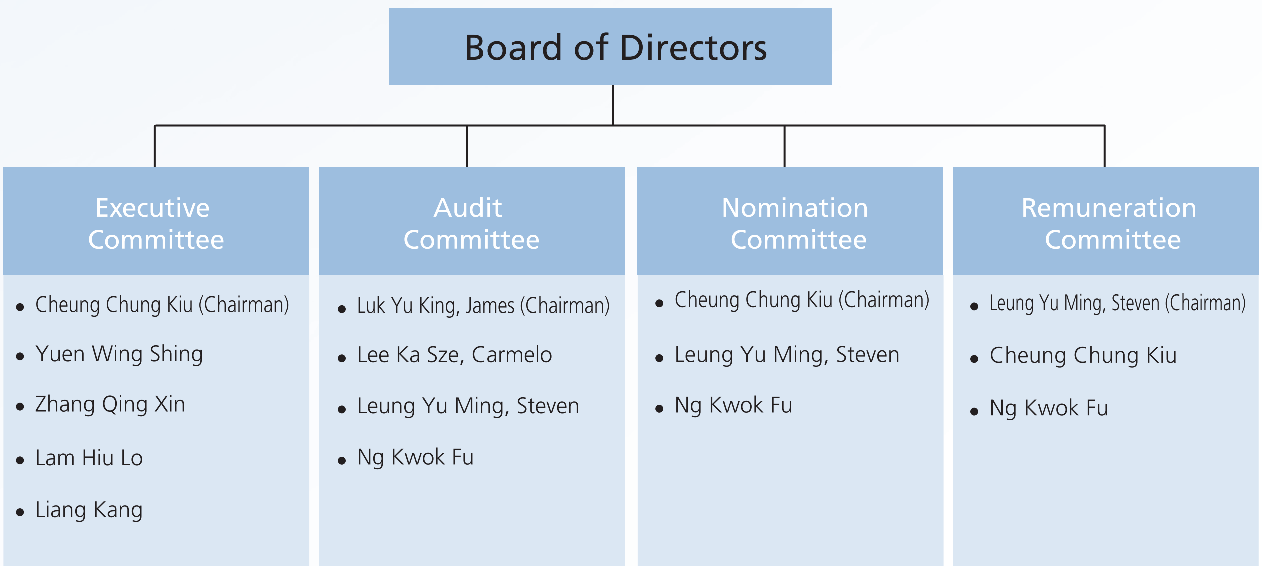
(e) Responsible for the appointment, removal or re-appointment of Directors, senior management and auditors, and determining the remuneration of Directors and senior management based on the recommendations of the Remuneration Committee; and

(f) To recommend to the members of the Company for the winding up of the Company.

C. Board Committees

The Board has delegated authorities to four Board committees to deal with matters, and specific written terms of reference were clearly set out to enable them to perform their functions properly. Board committees are required, unless restricted by laws and regulations, to report back to the Board on their decisions or recommendations on a regular basis.

The following chart illustrates the current Board Committees:



i) Audit Committee

Detailed information of Audit Committee is disclosed under the section headed "ACCOUNTABILITY AND AUDIT" on pages 16 to 18 of this report.

ii) Remuneration Committee

Detailed information of Remuneration Committee is disclosed under the section headed "REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT" on pages 15 and 16 of this report.

iii) Nomination Committee

The Nomination Committee, comprising a majority of INEDs and chaired by the Chairman of the Board, was established on 30 March 2012. Members include Mr. Cheung Chung Kiu (Chairman), Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice at the Company's expense if considered necessary. The major roles and functions of the Nomination Committee are set out in its terms of reference which are published on the web-site of the Company and the Stock Exchange.

On 26 August 2013, the Company adopted the Board Diversity Policy which aims to set out the approach to achieve diversity on the Board. The Nomination Committee is responsible for monitoring the implementation and recommending any revisions that may be required to ensure effectiveness of the Policy. In addition, the Nomination Committee will discuss, review and agree annually on measurable objectives for implementing diversity on the Board. Further details of the Board Diversity Policy are set out in the section head "Board Diversity Policy" on page 10.

On a regular meeting of the Nomination Committee held on 20 March 2014, the following matters were discussed, reviewed and approved:

(a) To review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board;

(b) To assess the independence of INEDs by reference to the independent criteria set out in Rule 3.13 of the Listing Rules;

(c) To review the Nomination Policy and the Board Diversity Policy and their implementation; and

(d) To review and make recommendation to the Board on the re-appointment of Mr. Yuen Wing Shing, Mr. Lam Hiu Lo and Mr. Liang Kang as executive Directors at the AGM.

Attendance of Nomination Committee is set out in the table on page 12. Further information of Nomination Committee are disclosed under the section headed "APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS" on pages 14 and 15 of this report.

iv) Executive Committee

The Executive Committee, comprising all executive Directors and chaired by the Chairman of the Board, was established on 31 December 2004. It takes the management role and is responsible for the day-to-day management, administration and operation of the Company. Further information of Executive Committee are disclosed under the section headed "Management Functions" on page 19.

Corporate Governance Report

D. Corporate Governance Functions

The Board has, by a resolution of the Board dated 28 March 2012, adopted to perform the corporate governance duties as set out in Code Provision D.3.1 of the Corporate Governance Code. On 25 March 2014, the Board has conducted a meeting of the full Board to transact the following corporate governance matters:

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

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

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

(d) to review the Code of Conduct applicable to employees and Directors; and

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

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communications with shareholders and the investment community, and the value of providing current and relevant information in a timely and appropriate manner. The Board has formulated the Shareholder Communication Policy, aiming to ensure shareholders and investment community are provided with ready, equal and timely access to current and relevant information of the Company, in order to enable the shareholders to have a better understanding on the financial and business operation of the Company, as well as to exercise their rights in a timely and informed manner. In addition, the Board has adopted the Inside Information Policy which sets out a guideline for identifying, assessing and broadly disseminating inside information of the Group to the public in a timely and equal manner in accordance with the Listing Rules, laws and regulations applicable to the Company. The Board will further review these policies regularly to ensure its effectiveness.

The Board endeavours to maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage them to participate in general meetings or, if they are unable to attend meetings, to appoint proxies to attend and vote at the meetings on their behalf. At the annual general meeting held on 21 May 2013, a separate resolution was proposed by the chairman in respect of each substantially separate issue. The notice of 2013 annual general meeting was sent to shareholders on 16 April 2013, which is more than 20 clear business days before the meeting. The chairman of the Board, the chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and representative from the external auditors attended the 2013 annual general meeting to answer questions of shareholders. Poll voting has been used for passing all resolutions at annual general meetings since 29 April 2005. Details of the poll voting procedures are clearly explained at the commencement of the meetings. The poll results are posted on the website of the Company and the Stock Exchange on the same day of the poll.

In addition, information may also be communicated to shareholders and the investment community through the following methods:

(a) periodic disclosure through financial reports of the Company, including but not limited to interim and annual reports, financial statements, results announcement etc;

(b) disclosure of information through circulars, announcements, notice of meetings and any other special notices whenever and wherever necessary in accordance with the Listing Rules; and

(c) the Company's website at http://www.yugang.com.hk and HKEx's website at http://www.hkex.com.hk.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Set out hereunder is a summaries of shareholders' rights as required to be disclosed pursuant to Code Provision O of the Corporate Governance Code, which are subject to the Bye-Laws, Companies Act 1981 of Bermuda and applicable legislation and regulation.

Every year, an annual general meeting will be held by the Company. Further, the Board may whenever it thinks fit call general meetings known as special general meetings.

Shareholders who wish to convene a special general meeting or put forward proposals at any general meeting, including the proposal to nominate a person for election as a Director, should follow the applicable procedures described below.

Procedures to Convene a Special General Meeting

1. Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

2. The requisition must state the purposes of such meeting, and must be signed by the requisitionists and deposited at the Company's registered office in Bermuda at Clarendon House, Church Street, Hamilton HM11, Bermuda ("Registered Office"), and may consist of several documents in like form each signed by one or more requisitionists. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at Rooms 3301-7, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong ("Principal Place of Business"), marked for the attention of the Board or the company secretary.

3. If Directors do not within twenty-one (21) days from the date of deposit of requisition proceed duly to convene a special general meeting to be held within two (2) months after the deposit of the requisition, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting and be repaid by the Company for any reasonable expenses incurred, provided that any meeting so convened by the requisitionists shall not be held after the expiration of three (3) months from the said date of deposit of the requisition.

4. Other than an adjourned meeting,

   (1) a special general meeting at which the passing of a special resolution is to be considered shall be called by at least twenty-one (21) clear days and not less than ten (10) clear business days written notice. All other special general meetings may be called by at least fourteen (14) clear days and not less than ten (10) clear business days written notice.

   (2) any special general meeting may be called by shorter notice than that specified in sub-paragraph (1) above if it is so agreed by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

Corporate Governance Report

Procedures to Put Forward Proposals at General Meetings

1. Any number of shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meetings of the Company; or not less than one hundred (100) shareholders, shall (unless otherwise resolved by the Company) at their own expense have the right, by written requisition to the Company: (a) to require notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting to be given to shareholders; and/or (b) to request for circulation to shareholders any statement of not more than one thousand (1000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

2. The requisition must be signed by the requisitionists in a single document or in separate copies prepared for the purpose. A copy of the signed requisition, accompanied by a sum reasonably sufficient to meet the Company's expenses, must be deposited at the Company's Registered Office: (a) in the case of a requisition requiring notice of a resolution, not less than six (6) weeks before the annual general meeting unless an annual general meeting is called for a date six (6) weeks or less after the copy has been deposited, in which case the copy shall be deemed to have been properly deposited though not deposited within the time required; and (b) in the case of any other requisition, not less than one (1) week before the general meeting. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's Principal Place of Business in Hong Kong, marked for the attention of the Board or the company secretary.

Procedures to Propose a Person for Election as a Director

Detailed information and procedures for shareholders to propose a person for election as a Director are set out in the Company's website http://www.yugang.com.hk.

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial service and has appointed Mr. Albert T da Rosa, Jr. of Cheung Tong & Rosa Solicitors as its company secretary. Mr. da Rosa is not an employee of the Group and his primary contact person at the Company is Mr. Wong Ka Tai, senior finance and accounting manager of the Company.

During the year ended 31 December 2013, Mr. da Rosa has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INVESTOR RELATIONS

There were no significant changes in the Company's constitutional documents during the year.

On behalf of the Board
Yugang International Limited
Yuen Wing Shing
Managing Director

Hong Kong, 25 March 2014

Report of the Directors

The Board of Yugang International Limited has pleasure in presenting the report together with the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries and associate are set out in notes 17 and 18 of the Notes to Financial Statements respectively.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND STATE OF AFFAIRS

The results 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 financial statements on pages 35 to 85.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$0.002 per share for the year ended 31 December 2013 (2012: Nil) to holders of ordinary shares whose names appear on the register of members of the Company on 10 June 2014. No interim dividend was declared for the financial year of 2013 and 2012. Subject to shareholders' approval at the AGM, the proposed final dividend will be paid to shareholders on or about 20 June 2014.

RESERVES

Particulars of movement in the reserves of the Company and the Group during the year are set out in note 29 of the Notes to Financial Statements and the Consolidated Statement of Changes in Equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2013, calculated in accordance with Companies Act 1981 of Bermuda (as amended from time to time), amounted to HK$861,679,000 (2012: HK$843,540,000), of which HK$18,611,000 (2012: Nil) was proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$907,280,000 (2012: HK$907,280,000), may be distributed in the form of fully paid bonus shares.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2013 are set out in note 26 of the Notes to Financial Statements.

SEGMENT INFORMATION

An analysis of the segment performance of the Group for the year ended 31 December 2013 is set out in note 4 of the Notes to Financial Statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements, is set out on page 86. This summary does not form part of the audited financial statements.

Report of the Directors

PROPERTY AND EQUIPMENT

Particulars of the property and equipment of the Group during the year are set out in note 15 of the Notes to Financial Statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2013. The increase in fair value arising on the revaluation, which has been credited directly to the Consolidated Statement of Profit or Loss, amounted to HK$2,600,000. Details of the investment properties of the Group are set out in note 16 of the Notes to Financial Statements.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and associate are set out in notes 17 and 18 of the Notes to Financial Statements respectively.

SHARE CAPITAL

Particulars of the Company's share capital during the year are set out in note 28 of the Notes to Financial Statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in Companies Act 1981 of Bermuda (as amended from time to time) or the bye-laws of the Company.

DONATIONS

No charitable and other donations were made by the Group during the year (2012: Nil).

DIRECTORS

The list of Directors during the year and up to the date of this Annual Report is set out in the Board and Committees section on page 2 of this Annual Report. Information about the Board, including appointment and re-election of Directors, is set out in the Corporate Governance Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management as at the date of this Annual Report are set out in the section headed "Profiles of Directors and Senior Management" on pages 31 to 32 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Particulars of Directors' emoluments and the five highest paid employees of the Group are set out in notes 9 to 10 of the Notes to Financial Statements respectively.

MANAGEMENT CONTRACTS

There was no contract concerning management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Report of the Directors

DIRECTORS' SERVICE CONTRACT

No Director has a service contract with the Company that is not determinable by the Company within one year without compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance in relation to the Group's business to which the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this Annual Report, none of Directors and their associates had any interest in business which competed or was likely to compete, directly or indirectly, with the principal business of the Group.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2013, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting principles. None constituted a discloseable connected transaction as defined under Chapter 14A to the Listing Rules. Details of these transactions are disclosed in note 35 of the Notes to Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2013, sales to the Group's five largest customers accounted for 100% of the total sales for the year whereas sales to the largest customer included therein amounted to 58%. There was no purchase of suppliers by the Group during the year.

None of Directors, their associates or any shareholders who, to the knowledge of Directors, own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

MANDATORY PROVIDENT FUND

The Group operates a defined contribution Mandatory Provident Fund retirement benefit Scheme (the "MPF Scheme") for all of its employees. Particulars of the MPF Scheme are set out in note 2.4 of the Notes to Financial Statements.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this Annual Report as required under the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2013, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in shares of the Company:

Name of Director	Nature of Interest	Number of Ordinary Shares Held	Percentage of Issued Share Capital
Mr. Cheung Chung Kiu	Corporate *(note 1)*	4,046,389,740	43.49
	Personal	53,320,000	0.57
Mr. Zhang Qing Xin	Personal	13,600,000	0.15
Mr. Lam Hiu Lo	Personal	41,800,000	0.45
Mr. Liang Kang	Personal	30,000,000	0.32

(ii) Long positions in shares of associated corporations:

Name of Director	Name of Associated Corporation	Relationship with the Company	Shares	Nature of Interest	Number of Shares Held	Percentage of Issued Share Capital
Mr. Cheung Chung Kiu	Y. T. Realty Group Limited	Associate	Ordinary shares	Corporate *(note 2)*	273,000,000	34.14
Mr. Ng Kwok Fu	Y. T. Realty Group Limited	Associate	Ordinary shares	Personal and family	90,000	0.01

Notes:

(1) Out of 4,046,389,740 shares, 3,194,434,684 shares are held by Chongqing Industrial Limited ("Chongqing") and 851,955,056 shares are held by Timmex Investment Limited ("Timmex").

Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have 35%, 30%, 5% and 30% equity interests in Chongqing respectively.

Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

(2) The 273,000,000 shares are held by Funrise Limited which is indirectly controlled by Palin Holdings Limited as trustee for Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Save as disclosed above, as at 31 December 2013, none of Directors or chief executive of the Company and their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SHARE OPTIONS SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted on 29 April 2005, the terms of which were in line with and complied with the requirements of Chapter 17 of the Listing Rules.

No share options were granted under the Share Option Scheme during the year and there were no share options outstanding as at 31 December 2013.

The particulars in relation to the Share Option Scheme that are required to be disclosed under Rules 17.07 to 17.09 of the Listing Rules are set out below:

(1)	Purpose of the Share Option Scheme	To provide incentives and rewards to eligible participants for their contributions to the Group and enable the Group to retain existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.
(2)	Participants of the Share Option Scheme	It includes directors, officers and employees of the Eligible Group and any executives, officers or employees of any business consultants, professional and other advisers of any members of the Eligible Group. The Eligible Group includes: (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of the Company or of substantial shareholders referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above.
(3)	The total number of securities available for issue under the Share Option Scheme together with the percentage of the issued share capital as at the date of the Annual Report	930,527,675 ordinary shares and 10.0% of the existing issued share capital.

Report of the Directors

(4)	The maximum entitlement of each participant under the Share Option Scheme	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders of the Company in a general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.
(5)	The period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by Directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Share Option Scheme.
(6)	The minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by Directors.
(7)	Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted with a consideration of HK$1 being payable by the grantee.
(8)	The basis of determining the exercise price	The exercise price is determined by Directors and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.
(9)	The remaining life of the Share Option Scheme	The Share Option Scheme remains in force until 28 April 2015.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests" and "Share Options Scheme" above, at no time during the year under review, the Company or any of its subsidiaries or its holding company, was a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of Directors, or any of their associates, had any interests in or was granted any rights to subscribe for shares of the Company, or had exercised any such rights.

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in shares of the Company:

Name	Notes	Capacity and Nature of Interest	Number of Ordinary Shares Held	Percentage of Issued Share Capital
Timmex Investment Limited	1	Corporate	851,955,056	9.16
Chongqing Industrial Limited	2	Corporate	3,194,434,684	34.33
Palin Holdings Limited	3	Trustee of a Family Trust	3,194,434,684	34.33
Mr. Cheung Chung Kiu	4	Corporate and personal	4,099,709,740	44.06

Notes:

(1) Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

(2) The voting rights of these shares are exercisable by Chongqing which is controlled by Mr. Cheung Chung Kiu.

(3) Palin Holdings Limited is the trustee of Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

(4) Out of 4,099,709,740 shares, 3,194,434,684 shares and 851,955,056 shares are held by Chongqing and Timmex respectively and 53,320,000 shares are held by Mr. Cheung Chung Kiu personally.

Save as disclosed above, 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 that were recorded in the register required to be kept by the Company under section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange.

AUDITORS

The financial statements for the year ended 31 December 2013 have been audited by Messrs. Ernst & Young, Certified Public Accountants, who will retire at the AGM, being eligible, offer themselves for reappointment at the AGM. A resolution for re-appointment of Messrs. Ernst & Young as auditors of the Company and to authorize Directors to fix their remuneration will be proposed at the AGM.

On behalf of the Board
Yugang International Limited
Yuen Wing Shing
Managing Director

Hong Kong, 25 March 2014

Profiles of Directors and Senior Management

Cheung Chung Kiu, aged 49, was appointed the chairman and an executive Director in 1993. Mr. Cheung is the chairman and a member of the Nomination Committee, a member of the Remuneration Committee and an authorised representative of the Company. Mr. Cheung also serves as a director of several subsidiaries of the Company. In addition, Mr. Cheung is the director of Palin Holdings Limited, Chongqing Industrial Limited and Timmex Investment Limited, all are companies disclosed in the section headed "Interests of Substantial Shareholders" on page 30 of the Annual Report. Mr. Cheung is the founder of the Company and he set up Chongqing Industrial Limited in 1985, a company mainly engaged in trading business in the PRC. Mr. Cheung is also the chairman of Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange. Further, Mr. Cheung is the son of Mr. Zhang Qing Xin, a Director of the Company.

Yuen Wing Shing, aged 67, was appointed an executive Director in 1993 and the managing director of the Company on 1 January 2005. He is the authorised representative of the Company and also serves as a director of several subsidiaries of the Company. He is responsible for the Group's administration and business operations. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he held senior management position with a major bank in Hong Kong for over 20 years. He is also an executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Zhang Qing Xin, aged 77, was appointed an executive Director in 1995. Mr. Zhang has over 20 years of experience in import and export trading business. Prior to joining the Company, he was the Deputy General Manager of a foreign trade enterprise for more than 10 years. Mr. Zhang is the director of Chongqing Industrial Limited, the major shareholder of the Company. Further, Mr. Zhang is the father of Mr. Cheung Chung Kiu, the chairman of the Company.

Lam Hiu Lo, aged 52, was appointed an executive Director in 1993. He also serves as a director of several subsidiaries of the Company. He is mainly responsible for the sales and marketing of the Group's trading business in the PRC. He has over 28 years of experience in trading with PRC parties. He is an executive director of Qualipak International Holdings Limited and an independent non-executive director of EVA Precision Industrial Holdings Limited, both of which are public companies listed on the Stock Exchange.

Liang Kang, aged 71, was appointed an executive Director in 1995. He is mainly responsible for the sales and marketing of the Group's trading business in the PRC. Prior to joining the Company, he engaged in the trading business in the PRC for over 16 years.

Lee Ka Sze, Carmelo, aged 53, was appointed an independent non-executive Director in 1993 and re-designated as a non-executive Director on 30 September 2004. He is also a member of the Audit Committee. Mr. Lee received his bachelor of laws degree and a postgraduate certificate in laws from The University of Hong Kong. He qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia. Mr. Lee is a partner of Messrs. Woo, Kwan, Lee and Lo, Solicitors & Notaries, which firm rendered professional services to the Company. Mr. Lee is the chairman of the Listing Committee of the Stock Exchange; a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, SFC (HKEC Listing) Committee, Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and Campaign Committee of the Community Chest of Hong Kong; and the Co-chairman of the Community Chest Corporate Challenge Half Marathon. Mr. Lee is an independent non-executive director of KWG Property Holding Limited, Ping An Insurance (Group) Company of China, Limited and Esprit Holdings Limited; and a non-executive director of Y. T. Realty Group Limited, CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited, all are public companies listed on the Stock Exchange.

Profiles of Directors and Senior Management

Luk Yu King, James, aged 59, was appointed an independent non-executive Director in 2007. He is the chairman and a member of the Audit Committee. Mr. Luk graduated from The University of Hong Kong with a bachelor degree in Science. He is a fellow of The Association of Chartered Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants and an ordinary member of Hong Kong Securities and Investment Institute. Mr. Luk has over ten years of experience in corporate finance, securities and commodities trading business with several international and local financial institutions. Mr. Luk is an independent non-executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Leung Yu Ming, Steven, aged 54, was appointed an independent non-executive Director in 2007. Mr. Leung is a member of the Audit Committee and Nomination Committee. He is also the chairman and a member of the Remuneration Committee. Mr. Leung holds a degree of master in accountancy from Charles Sturt University in Australia and a degree of bachelor of social science from The Chinese University of Hong Kong. Mr. Leung is an associate of The Institute of Chartered Accountants in England and Wales, and a fellow of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. Mr. Leung is also a practising certified public accountant in Hong Kong and a certified practicing accountant of CPA Australia. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice-President in International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently a senior partner of a firm of certified public accountants. Mr. Leung has over 28 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange.

Ng Kwok Fu, aged 42, was appointed an independent non-executive Director in 2004. Mr. Ng is a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College. Mr. Ng has over 24 years experience in marketing, trading and purchasing of construction materials and providing technical control, support and management in building projects. He is an independent non-executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Independent Auditors' Report

EY 安永

TO THE SHAREHOLDERS OF YUGANG INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yugang International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

OPINION

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

25 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013	2012
		HK$'000	*HK$'000*
REVENUE	5	10,308	(1,321)
Other income and gains	5	40,324	68,901
Administrative expenses		(82,658)	(86,217)
Other expenses	6	—	(3,780)
Impairment of an available-for-sale investment	21	(2,725)	(10,776)
Finance costs	8	(4,574)	(3,227)
Share of profit of an associate		199,627	162,229
PROFIT BEFORE TAX	7	160,302	125,809
Income tax credit/(expense)	11	29,431	(41)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12	189,733	125,768
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic and diluted		HK2.04 cents	HK1.35 cents

Details of the dividends for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Note	2013	2012
		HK$'000	*HK$'000*
PROFIT FOR THE YEAR		189,733	125,768
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Available-for-sale investments:			
Changes in fair value	21	(201,939)	321,225
Reclassification adjustment for an impairment loss included in the consolidated statement of profit or loss	21	2,725	10,776
		(199,214)	332,001
Share of other comprehensive income/(loss) of an associate		(977)	16,716
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(200,191)	348,717
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(10,458)	474,485

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 *HK$'000*	2012 *HK$'000*
NON-CURRENT ASSETS			
Property and equipment	15	**51,694**	52,693
Investment properties	16	**37,600**	35,000
Investment in an associate	18	**1,903,359**	1,714,264
Convertible notes receivable - loan portion	19	**—**	8,061
Loans receivable	20	**2,000**	3,000
Available-for-sale investments	21	**518,383**	720,322
Other assets		**360**	360
Total non-current assets		**2,513,396**	2,533,700
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss	22	**160,082**	171,813
Convertible notes receivable - loan portion	19	**9,868**	—
Embedded option derivatives	19	**1,108**	13
Loans receivable	20	**1,000**	1,000
Prepayments, deposits and other receivables	23	**2,703**	3,671
Pledged time deposits	24	**9,457**	9,426
Time deposits	24	**22,000**	—
Cash and bank balances	24	**5,621**	5,454
Total current assets		**211,839**	191,377
CURRENT LIABILITIES			
Other payables and accruals	25	**20,500**	22,453
Interest-bearing bank loans	26	**163,000**	170,000
Tax payable		**—**	29,463
Total current liabilities		**183,500**	221,916
NET CURRENT ASSETS/(LIABILITIES)		**28,339**	(30,539)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,541,735**	2,503,161
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**240**	208
Interest-bearing bank loan	26	**49,000**	—
Total non-current liabilities		**49,240**	208
Net assets		**2,492,495**	2,502,953
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	**93,053**	93,053
Reserves	29(a)	**2,399,442**	2,409,900
Total equity		**2,492,495**	2,502,953

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to equity holders of the Company						
	Issued capital	Share premium account	Contributed surplus	Available-for-sale investment revaluation reserve	Other reserves	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	93,053	907,280	760,799	—	(13,994)	281,330	2,028,468
Profit for the year	—	—	—	—	—	125,768	125,768
Other comprehensive income for the year:							
Available-for-sale investments:							
Changes in fair value	—	—	—	321,225	—	—	321,225
Reclassification adjustment for an impairment loss included in the consolidated statement of profit or loss	—	—	—	10,776	—	—	10,776
Share of other comprehensive income of an associate	—	—	—	—	16,716	—	16,716
Total comprehensive income for the year	—	—	—	332,001	16,716	125,768	474,485
At 31 December 2012 and at 1 January 2013	93,053	907,280*	760,799*	332,001*	2,722*	407,098*	2,502,953
Profit for the year	—	—	—	—	—	189,733	189,733
Other comprehensive income/(loss) for the year:							
Available-for-sale investments:							
Changes in fair value	—	—	—	(201,939)	—	—	(201,939)
Reclassification adjustment for an impairment loss included in the consolidated statement of profit or loss	—	—	—	2,725	—	—	2,725
Share of other comprehensive loss of an associate	—	—	—	—	(977)	—	(977)
Total comprehensive income/(loss) for the year	—	—	—	(199,214)	(977)	189,733	(10,458)
At 31 December 2013	93,053	907,280*	760,799*	132,787*	1,745*	596,831*	2,492,495

* These reserve accounts comprise the consolidated reserves of HK$2,399,442,000 (2012: HK$2,409,900,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 *HK$'000*	2012 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		160,302	125,809
Adjustments for:			
Finance costs	8	4,574	3,227
Share of profit of an associate		(199,627)	(162,229)
Interest income on bank deposits	5	(23)	(43)
Dividend income from an available-for-sale investment	5	(11,718)	(30,871)
Changes in fair value of investment properties	5	(2,600)	(7,400)
Fair value (gains)/losses on embedded option derivatives	5, 6	(1,095)	3,780
Fair value gains on listed equity investments at fair value through profit or loss, net	5	(23,326)	(30,502)
Impairment of an available-for-sale investment	21	2,725	10,776
Depreciation	15	3,280	3,049
Gain on disposal of items of property and equipment	5	(618)	(25)
Gain on disposal of a subsidiary	30	(859)	—
		(68,985)	(84,429)
Decrease in listed equity investments at fair value through profit or loss		35,057	20,574
Decrease in loans receivable		1,000	1,000
Increase in prepayments, deposits and other receivables		(86)	(225)
Increase in interest receivable from convertible notes and loans receivable		(1,755)	(1,475)
Increase/(decrease) in other payables and accruals		(590)	1,106
Net cash flows used in operating activities		(35,359)	(63,449)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(2,025)	(3,340)
Proceeds from early redemption of an available-for-sale investment		—	1,598
Proceeds from disposal of items of property and equipment		618	25
Disposal of a subsidiary	30	200	—
Interest received from bank deposits		28	43
Dividends received from an associate		9,555	8,190
Dividends received from an available-for-sale investment		11,718	740
Purchase of an available-for-sale investment		—	(2,121)
Increase in pledged time deposits		(31)	(15)
Net cash flows from investing activities		20,063	5,120

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
Net cash flows from investing activities	20,063	5,120
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	45,000	55,000
Repayment of bank loans	(3,000)	—
Interest paid	(4,537)	(3,205)
Net cash flows from financing activities	37,463	51,795
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22,167	(6,534)
Cash and cash equivalents at beginning of year	5,454	11,988
CASH AND CASH EQUIVALENTS AT END OF YEAR	27,621	5,454
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,621	5,454
Non-pledged time deposits with original maturity of less than three months when acquired	22,000	—
	27,621	5,454

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	1,860,903	1,842,363
CURRENT ASSETS			
Prepayments	23	788	788
Cash and bank balances	24	1,404	1,424
Total current assets		2,192	2,212
CURRENT LIABILITIES			
Other payables and accruals	25	1,083	702
NET CURRENT ASSETS		1,109	1,510
Net assets		1,862,012	1,843,873
EQUITY			
Issued capital	28	93,053	93,053
Reserves	29(b)	1,768,959	1,750,820
Total equity		1,862,012	1,843,873

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

Yugang International Limited (the "Company") is a company incorporated in Bermuda with limited liability. The principal place of business of the Company is located at Rooms 3301-3307, 33/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

(i) treasury management;

(ii) property investment; and

(iii) trading of scrap metals and other materials.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value.

These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13, and amendments to HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. However, the application of HKFRS 13 and amendments to HKAS 1 resulted in additional disclosures in the consolidated financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

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31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 16 and 37 to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 19 Amendments apply to contributions from employees or third parties to defined benefit plan. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The Group expects to adopt the amendments from 1 January 2015.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The amendments will include additional disclosures only and have no impact on the Group's financial position or performance. The Group expects to adopt the amendments from 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investment in an associate

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The result of an associate is included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as an non-current asset and is stated at cost less any impairment losses.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

Property and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Land and buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit and loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets , the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Initial recognition and measurement (Continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) gain or loss on the disposal of listed securities, on the trade date.

Employee benefits

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into industrial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 27 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

For the year ended 31 December 2013, an impairment loss of HK$2,725,000 (2012: HK$10,776,000) has been recognised in the statement of profit or loss for an available-for-sale investment. At 31 December 2013, the carrying amount of available-for-sale investments was HK$518,383,000 (2012: HK$720,322,000).

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31 December 2013

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

(a) The treasury management segment which trades and holds debt and equity securities, earns interest and dividend income from the relevant securities investments, and generates interest income from the provision of financing services.

(b) The property and infrastructure investment segment consists of investment through Y. T. Realty Group Limited ("Y. T. Realty"), an associate of the Group, in properties for rental income and/or for capital appreciation potential; and in an associate which holds two tunnels in Hong Kong generating toll revenue.

(c) The "Others" segment which consists of the trading of scrap metals and other materials, property investment for rental income and/or for capital appreciation potential, and other investments.

The management of the Company monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2013

	Treasury management	Property and infrastructure investment	Others	Reportable segments total	Adjustments (Note)	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue	9,105	200,766	1,203	211,074	(200,766)	10,308
Other income and gains	36,278	275,806	4,046	316,130	(275,806)	40,324
Total revenue and gains	45,383	476,572	5,249	527,204	(476,572)	50,632
Segment profit for the year	1,616	584,731	223	586,570	(385,104)	201,466
Corporate and unallocated expenses, net						(11,733)
Profit for the year						189,733

	Treasury management	Property and infrastructure investment	Others	Corporate and unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:					
Share of profit of an associate	—	199,627	—	—	199,627
Investment in an associate	—	1,903,359	—	—	1,903,359
Capital expenditure	—	—	—	3,011	3,011
Depreciation	—	—	415	2,865	3,280
Impairment of an available-for-sale investment	2,725	—	—	—	2,725
Interest revenue	1,962	—	—	—	1,962
Interest expense	4,574	—	—	—	4,574

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2012

	Treasury management HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Reportable segments total HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Segment revenue:						
Revenue	(2,416)	183,272	1,095	181,951	(183,272)	(1,321)
Other income and gains	61,416	197,657	7,485	266,558	(197,657)	68,901
Total revenue and gains	59,000	380,929	8,580	448,509	(380,929)	67,580
Segment profit/(loss) for the year	(29,338)	475,189	3,723	449,574	(312,960)	136,614
Corporate and unallocated expenses, net						(10,846)
Profit for the year						125,768

	Treasury management HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Other segment information:					
Share of profit of an associate	—	162,229	—	—	162,229
Investment in an associate	—	1,714,264	—	—	1,714,264
Capital expenditure	—	—	38	3,302	3,340
Depreciation	—	—	432	2,617	3,049
Impairment of an available-for-sale investment	10,776	—	—	—	10,776
Interest revenue	1,749	—	—	—	1,749
Interest expense	3,227	—	—	—	3,227

Note: The activities of the property and infrastructure investment segment are carried on through an associate of the Group and therefore, the entire revenue and gains of this reportable segment and its profit for the year not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit for the year.

The Group's revenue is set out in note 5 to the financial statements.

The Group's revenue is derived solely from its operations in Hong Kong, and the non-current assets of the Group are substantially located in Hong Kong.

Notes to Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net gains or losses on disposal of listed equity investments at fair value through profit or loss, dividend income from listed equity investments at fair value through profit or loss, interest income from convertible notes and loans receivable, and gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2013 *HK$'000*	2012 *HK$'000*
Revenue		
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	6,857	(4,442)
Dividend income from listed equity investments at fair value through profit or loss	286	277
Interest income from convertible notes and loans receivable	1,962	1,749
Gross rental income	1,203	1,095
	10,308	(1,321)
Other income and gains		
Interest income on bank deposits	23	43
Fair value gains, net:		
Listed equity investments at fair value through profit or loss	23,326	30,502
Embedded option derivatives	1,095	—
Dividend income from an available-for-sale investment	11,718	30,871
Fair value gains on investment properties *(note 16)*	2,600	7,400
Gain on disposal of items of property and equipment	618	25
Gain on disposal of a subsidiary *(note 30)*	859	—
Others	85	60
	40,324	68,901

6. OTHER EXPENSES

	Group	
	2013 *HK$'000*	2012 *HK$'000*
Fair value losses on embedded option derivatives, net	—	3,780

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
Depreciation *(note 15)*	3,280	3,049
Minimum lease payments under operating leases:		
Land and buildings	1,407	1,052
Others	6,636	7,464
	8,043	8,516
Auditors' remuneration	1,328	1,290
Staff costs (including directors' remuneration *(note 9)*):		
Wages and salaries	46,635	47,218
Pension scheme contributions	563	533
	47,198	47,751
Foreign exchange differences, net	(85)	48
Net rental income	(1,185)	(1,073)

8. FINANCE COSTS

	Group	
	2013 HK$'000	2012 HK$'000
Interest on bank loans	4,574	3,227

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Fees	1,800	2,000
Other emoluments:		
Salaries, allowances and benefits in kind	14,635	13,975
Discretionary bonuses	7,200	8,600
Pension scheme contributions	60	56
	21,895	22,631
	23,695	24,631

Notes to Financial Statements
31 December 2013

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 *HK$'000*	2012 *HK$'000*
Mr. Luk Yu King, James	**400**	400
Mr. Ng Kwok Fu	**200**	200
Mr. Leung Yu Ming, Steven	**200**	200
	800	800

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and non-executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2013					
Executive directors:					
Mr. Cheung Chung Kiu	—	5,830	3,000	15	8,845
Mr. Yuen Wing Shing	—	4,140	1,000	15	5,155
Mr. Lam Hiu Lo	—	1,750	1,200	15	2,965
Mr. Zhang Qing Xin	—	1,620	1,300	—	2,920
Mr. Liang Kang	—	1,295	700	15	2,010
	—	14,635	7,200	60	21,895
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
	1,000	14,635	7,200	60	22,895
2012					
Executive directors:					
Mr. Cheung Chung Kiu	—	5,590	4,000	14	9,604
Mr. Yuen Wing Shing	—	3,900	1,400	14	5,314
Mr. Lam Hiu Lo	—	1,690	1,200	14	2,904
Mr. Zhang Qing Xin	—	1,560	1,300	—	2,860
Mr. Liang Kang	—	1,235	700	14	1,949
	—	13,975	8,600	56	22,631
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
Mr. Wong Yat Fai*	200	—	—	—	200
	1,200	—	—	—	1,200
	1,200	13,975	8,600	56	23,831

* Mr. Wong Yat Fai resigned as a non-executive director of the Company on 31 December 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2012: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2012: two) non-director, highest paid employee are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,650**	4,349
Discretionary bonuses	**800**	2,500
Pension scheme contributions	**15**	27
	3,465	6,876

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**—**	1
	1	2

11. INCOME TAX

Hong Kong profits tax calculates at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Overprovision in prior years (Note)	**(29,463)**	—
Deferred *(note 27)*	**32**	41
	(29,431)	41

Note: The tax provision of HK$29,463,000 was made in the prior years and was reversed during the year ended 31 December 2013 after taking into consideration the judgment made by the Court of Final Appeal in the relevant case.

Notes to Financial Statements

31 December 2013

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense/(credit) at the effective tax rate is as follows:

Group	2013 *HK$'000*	2012 *HK$'000*
Profit before tax	160,302	125,809
Tax at the statutory tax rate	26,450	20,758
Adjustments in respect of current tax of previous periods	(29,463)	—
Profit attributable to an associate	(32,938)	(26,768)
Income not subject to tax	(7,011)	(11,878)
Expenses not deductible for tax	2,420	3,366
Tax losses not recognised	11,200	14,783
Tax losses utilised from previous years	—	(8)
Others	(89)	(212)
Tax charge/(credit) at the Group's effective rate	(29,431)	41

The share of tax attributable to an associate amounting to HK$8,568,000 (2012: HK$7,882,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the Group's profit attributable to equity holders of the Company for the year ended 31 December 2013 of HK$189,733,000 (2012: HK$125,768,000), a loss of HK$6,632,000 (2012: HK$5,066,000) has been dealt with in the financial statements of the Company *(note 29(b))*.

13. DIVIDENDS

	2013 *HK$'000*	2012 *HK$'000*
Proposed final dividend – HK$0.002 (2012: Nil) per ordinary share	18,611	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of the current and the prior years.

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14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculations of basic and diluted earnings per share are based on:

	2013 *HK$'000*	2012 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	189,733	125,768

	Number of shares 2013	 2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	9,305,276,756	9,305,276,756

15. PROPERTY AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	72,153	5,320	5,521	3,018	18,888	104,900
Accumulated depreciation and impairment	(25,549)	(4,942)	(4,982)	(2,984)	(13,750)	(52,207)
Net carrying amount	46,604	378	539	34	5,138	52,693
At 1 January 2013, net of accumulated depreciation and impairment	46,604	378	539	34	5,138	52,693
Additions	—	986	—	135	1,890	3,011
Disposal of a subsidiary *(note 30)*	—	—	—	—	(730)	(730)
Depreciation provided during the year	(1,029)	(300)	(220)	(24)	(1,707)	(3,280)
At 31 December 2013, net of accumulated depreciation and impairment	45,575	1,064	319	145	4,591	51,694
At 31 December 2013:						
Cost	72,153	6,306	5,521	2,992	10,861	97,833
Accumulated depreciation and impairment	(26,578)	(5,242)	(5,202)	(2,847)	(6,270)	(46,139)
Net carrying amount	45,575	1,064	319	145	4,591	51,694

Notes to Financial Statements

31 December 2013

15. PROPERTY AND EQUIPMENT *(Continued)*

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2012						
At 31 December 2011 and at 1 January 2012:						
Cost	72,153	5,320	5,166	3,017	18,249	103,905
Accumulated depreciation and impairment	(24,399)	(4,622)	(4,782)	(2,959)	(14,741)	(51,503)
Net carrying amount	47,754	698	384	58	3,508	52,402
At 1 January 2012, net of accumulated depreciation and impairment	47,754	698	384	58	3,508	52,402
Additions	—	—	355	1	2,984	3,340
Depreciation provided during the year	(1,150)	(320)	(200)	(25)	(1,354)	(3,049)
At 31 December 2012, net of accumulated depreciation and impairment	46,604	378	539	34	5,138	52,693
At 31 December 2012:						
Cost	72,153	5,320	5,521	3,018	18,888	104,900
Accumulated depreciation and impairment	(25,549)	(4,942)	(4,982)	(2,984)	(13,750)	(52,207)
Net carrying amount	46,604	378	539	34	5,138	52,693

At 31 December 2013, certain of the Group's land and buildings with a net carrying amount of approximately HK$39,647,000 (2012: HK$40,545,000) were pledged to banks to secure banking facilities granted to the Group *(note 33)*.

The Group's leasehold land included in land and buildings is situated in Hong Kong and held under the following lease terms:

	Group 2013 *HK$'000*	2012 *HK$'000*
Long term lease	—	12,670
Medium term lease	41,264	29,482
	41,264	42,152

16. INVESTMENT PROPERTIES

	Group	
	2013 *HK$'000*	2012 *HK$'000*
Carrying amount at 1 January	35,000	27,600
Gain from a fair value adjustment	2,600	7,400
Carrying amount at 31 December	37,600	35,000

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The Group's investment properties consist three industrial properties in Hong Kong. The Group's investment properties were revalued on 31 December 2013 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$37,600,000. Each year, the Group's management decides which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

At 31 December 2013, the Group's investment properties with a carrying value of HK$37,600,000 (2012: HK$35,000,000) were pledged to a bank to secure banking facilities granted to the Group *(note 33)*.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Recurring fair value measurement for industrial properties	—	37,600	—	37,600

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	Significant observable inputs
Industrial properties	Direct comparison approach	Estimated market value per sq.m.

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17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	105,759	105,759
Due from subsidiaries	1,755,144	1,736,604
	1,860,903	1,842,363

The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment, and their carrying amounts approximate to their fair values. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Bookman Properties Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Securities investment
Chase Create Investments Limited	Hong Kong	HK$2	—	100	Property holding
Ferrex Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
First River Investments Limited	British Virgin Islands	US$1	—	100	Investment holding
Funrise Limited	British Virgin Islands	US$1	—	100	Investment holding
Joywell Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Kent Smart Investments Limited	Hong Kong	HK$2	—	100	Property holding
Maxking Industries Limited	Hong Kong	HK$2	—	100	Motor vehicle leasing
Maxlord Enterprises Limited	Hong Kong	HK$2	—	100	Money lending
New Wealth Limited	Hong Kong	HK$2	—	100	Property investment
Regulator Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Senico Investments Limited	British Virgin Islands	US$1	—	100	Trading of scrap metals and other materials
Time Lander Limited	British Virgin Islands	US$1	—	100	Property holding
Top Eagle Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Yugang Finance Limited	Hong Kong	HK$2	—	100	Provision of financial services
Yugang International (B.V.I.) Limited	British Virgin Islands	US$5	100	—	Investment holding
Yugang Management Limited	Hong Kong	HK$2	—	100	Corporate management

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

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18. INVESTMENT IN AN ASSOCIATE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Share of net assets	1,903,359	1,714,264
Market value of listed shares	668,850	600,600

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group
Y. T. Realty Group Limited	Ordinary shares of HK$0.1 each	Bermuda/ Hong Kong	34.14

Y. T. Realty Group Limited ("Y. T. Realty") is an investment holding company, incorporated in Bermuda and listed in Hong Kong, with its subsidiaries engaged in property investment, property trading, the provision of property management and related services. This associate has been accounted for using the equity method in these consolidated financial statements.

Extracts of the consolidated results and consolidated financial position of the associate, Y. T. Realty, are as follows:

	2013	2012
	HK$'000	*HK$'000*
Consolidated Results		
Revenue	200,766	183,272
Other income	2,541	1,538
Total expenses	(50,114)	(50,878)
Changes in fair value of investment properties	273,265	196,119
Share of profit of an associate	183,370	168,225
Income tax expense	(25,097)	(23,087)
Profit attributable to shareholders	584,731	475,189
Consolidated Financial Position		
Non-current assets		
Investment properties	3,807,800	3,532,800
Investment in an associate	1,794,672	1,660,643
Other non-current assets	2,852	3,101
	5,605,324	5,196,544
Current assets	259,233	151,602
Current liabilities	(112,843)	(123,029)
Non-current liabilities	(176,574)	(203,865)
Net assets	5,575,140	5,021,252

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19. CONVERTIBLE NOTES RECEIVABLE

	Group 2013 HK$'000	Group 2012 HK$'000
Unlisted convertible notes:		
Loan portion	9,868	8,061
Embedded option derivatives at fair value	1,108	13
	10,976	8,074
Classified as current assets:		
Loan portion	(9,868)	—
Embedded option derivatives at fair value	(1,108)	(13)
Non-current assets	—	8,061

As at 31 December 2013 and 2012, the Group held a convertible note with a principal amount of HK$10,000,000 issued by a company listed on the Stock Exchange. This convertible note carries interest at 5% per annum and will mature in 2014. This convertible note confers rights on the holders to convert the whole or part of the outstanding principal amount into ordinary shares of the issuer at conversion price of HK$1 per share in the defined period. The convertible note could be redeemed by the issuer at an amount equal to 100% of the principal amount before maturity to the extent of the amount not previously converted by the holders. The fair value of the loan portion of the convertible note is determined based on an effective interest rate of 22.5% per annum on initial recognition and the fair value of the embedded derivatives (issuer's call option and holders' conversion options) is determined using a trinomial tree pricing model.

20. LOANS RECEIVABLE

	Group 2013 HK$'000	Group 2012 HK$'000
Unsecured:		
Non-current	2,000	3,000
Current	1,000	1,000
	3,000	4,000

The Group's loans receivable represent receivables arising from its money lending business and are stated at amortised cost at an effective interest rate equal to the Hong Kong dollar prime rate per annum. The credit term for an existing customer is three years. As the Group's loans receivable were not significant during the year, the directors of the Company are of the opinion that there was no significant credit risk. The carrying amounts of the loans receivable approximate to their fair values.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2013 HK$'000	Group 2012 HK$'000
Listed equity investments in Hong Kong, at fair value	**518,383**	720,322

Particulars of the Group's listed equity investments in Hong Kong at the end of the reporting period are as follows:

Name	Place of incorporation	Nominal value of issued and paid-up share capital	Percentage of ownership interest attributable to the Group 2013	2012
C C Land Holdings Limited	Bermuda	HK$258,822,000	**10.06**	10.06
Qualipak International Holdings Limited	Bermuda	HK$14,377,000	**9.97**	9.97

During the year, the gross loss in respect of the Group's available-for-sale investments, which is stated at fair value, recognised in other comprehensive income amounted to HK$201,939,000 (2012: gross gain of HK$321,225,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2012, there was a significant decline in the market value of an available-for-sale investment of the Group which is a listed equity investment in Hong Kong. The directors considered that such a decline was a significant and/or prolonged decline in fair value below the original cost of that investment and constituted an objective evidence of impairment. Accordingly, an impairment loss of HK$10,776,000, which represented a reclassification from other comprehensive income, was recognised in the consolidated statement of profit or loss for the year ended 31 December 2012.

Subsequently, the market value of the available-for-sale investment further declined as at 31 December 2013. As a result, an impairment loss of HK$2,725,000, was recognised directly in the consolidated statement of profit or loss for the year ended 31 December 2013.

Group's listed equity investments at the date of approval of these financial statements was approximately HK$444,876,000.

22. LISTED EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2013 HK$'000	Group 2012 HK$'000
Listed equity investments, at market value:		
Hong Kong	**77,481**	80,892
Elsewhere	**82,601**	90,921
	160,082	171,813

The market value of the Group's listed equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$175,593,000.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2012 *HK$'000*
Prepayments	1,174	2,211	788	788
Deposits	1,375	1,174	—	—
Other receivables	154	286	—	—
	2,703	3,671	788	788

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2012 *HK$'000*
Other payables	704	729	665	665
Accruals	19,478	21,409	418	37
Customers' deposits received	318	315	—	—
	20,500	22,453	1,083	702

Other payables are non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK LOANS

Group

	2013			2012		
	Effective interest rate (%)	Maturity	*HK$'000*	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	2.14 - 2.46	January 2014 - December 2014	163,000	2.09 - 2.44	January 2013	170,000
Non-current						
Bank loan – secured	2.14	March 2015 - June 2018	49,000	—	—	—
			212,000			170,000
Analysed into:						
Bank loans repayable:						
Within one year or on demand			163,000			170,000
In the second year			12,000			—
In the third to fifth years, inclusive			37,000			—
			212,000			170,000

All the above bank loans are denominated in Hong Kong dollars and their carrying amounts as at 31 December 2013 and 2012 approximated to their fair values.

The above bank loans are secured by certain of the Group's time deposits, investment properties, and leasehold land and buildings *(note 33)*.

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27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation *HK$'000*
Gross deferred tax liabilities at 1 January 2012	575
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 11)*	241
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	816
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 11)*	67
Gross deferred tax liabilities at 31 December 2013	883

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits *HK$'000*
Gross deferred tax assets at 1 January 2012	408
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 11)*	200
Gross deferred tax assets at 31 December 2012 and 1 January 2013	608
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 11)*	35
Gross deferred tax assets at 31 December 2013	643

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27. DEFERRED TAX *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2013 *HK$'000*	2012 *HK$'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	**240**	208

The Group has tax losses arising in Hong Kong of HK$997,730,000 (2012: HK$1,126,490,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

Shares

	2013 *HK$'000*	2012 *HK$'000*
Authorised:		
50,000,000,000 (2012: 50,000,000,000) ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
9,305,276,756 (2012: 9,305,276,756) ordinary shares of HK$0.01 each	**93,053**	93,053

Share options

The Company adopted a share option scheme (the "Scheme") at the special general meeting held on 29 April 2005. Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 930,527,675 shares will be available for issue under the Scheme, which represented 10% of the Company's issued share capital at the end of the reporting period. Each participant cannot be entitled more than 1% of the total number of shares in issue in any 12-month period. The option shall end, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 28 April 2015. No option has been granted under the Scheme since the adoption of the Scheme.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2012	907,280	839,108	7,998	1,754,386
Total comprehensive loss for the year	—	—	(3,566)	(3,566)
At 31 December 2012 and at 1 January 2013	907,280	839,108	4,432	1,750,820
Total comprehensive income for the year	—	—	18,139	18,139
At 31 December 2013	907,280	839,108	22,571	1,768,959

The contributed surplus of the Company originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under the Bermuda Companies Act 1981 (as amended from time to time), the contributed surplus may be distributed to shareholders under certain circumstances.

30. DISPOSAL OF A SUBSIDIARY

	Notes	2013 HK$'000
Net liabilities disposed of:		
Property and equipment	15	730
Prepayments and other receivables		11
Other payable		(1,400)
		(659)
Gain on disposal of a subsidiary	5	859
		200
Satisfied by:		
Cash		200

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30. DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013
	HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	200

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties *(note 16)* under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	944	1,142
In the second to fifth years, inclusive	425	459
	1,369	1,601

(b) As lessee

The Group leases certain of its office properties and car parks under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one year to three years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	1,695	894
In the second to fifth years, inclusive	2,619	—
	4,314	894

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32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following commitments in respect of the purchases of property and equipment at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted, but not provided for	—	1,070

At the end of the reporting period, the Company did not have any significant commitments.

33. BANKING FACILITIES

At the end of the reporting period, the Group's banking facilities were secured by:

(a) a pledge of the Group's time deposits of HK$9,457,000 (2012: HK$9,426,000);

(b) pledges of the Group's investment properties and certain land and buildings with carrying values of HK$37,600,000 and HK$39,647,000, respectively (2012: HK$35,000,000 and HK$40,545,000, respectively); and

(c) corporate guarantees issued by the Company.

34. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2013	2012
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	518,080	518,080

At 31 December 2013, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of HK$212,000,000 (2012: HK$170,000,000).

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35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group disposed of a wholly-owned subsidiary of the Group to an entity which is under common control of a controlling shareholder for a consideration of HK$200,000 and a gain on disposal before tax of approximately HK$859,000 was recognised for the year ended 31 December 2013 *(note 30)*.

(b) Compensation of key management personnel of the Group:

	2013 *HK$'000*	2012 *HK$'000*
Short term employee benefits	**21,835**	25,650
Post-employment benefits	**60**	69
Total compensation paid to key management personnel	**21,895**	25,719

Further details of directors' emoluments are included in note 9 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

Except for available-for-sale investments, listed equity investments at fair value through profit or loss and embedded option derivatives, which are measured at fair value, other financial assets and liabilities of the Company and the Group as at 31 December 2012 and 2013 are loans and receivables, and financial liabilities at amortised cost, respectively.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, time deposits, pledged time deposits, financial assets included in prepayments, deposits and other receivables, the current portion of convertible notes receivable and loans receivable, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of loans receivable, amounts due from subsidiaries and interest-bearing bank loan have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturity. The Group's own non-performance risk for interest-bearing bank loans as at 31 December 2013 were assessed to be insignificant. The fair value of the loan portion of the convertible notes receivable is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible note with consideration of the Group's own non-performance risk. The fair values of these financial instruments are measured using significant observable inputs (level 2).

The fair value of the embedded option derivatives is determined using a trinomial tree pricing model and the fair values of listed equity investments are based on quoted market prices.

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group
As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale equity investments	518,383	—	—	518,383
Listed equity investments at fair value through profit or loss	160,082	—	—	160,082
Embedded option derivatives at fair value	—	1,108	—	1,108
	678,465	1,108	—	679,573

Group
As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale equity investments	720,322	—	—	720,322
Listed equity investments at fair value through profit or loss	171,813	—	—	171,813
Embedded option derivatives at fair value	—	13	—	13
	892,135	13	—	892,148

The Group did not have any financial liabilities measured at fair value as at 31 December 2013 and 2012.

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2013 and 2012.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, include equity investments, investments in convertible notes, loans receivable, bank loans, short term pledged deposits and cash and cash equivalents. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations and receivables.

The Group received interest income principally from its portfolio of loans receivable and short term bank deposits with an aggregate amount of approximately HK$40 million (2012: HK$19 million) as at 31 December 2013. Assuming that the balances have been held at a constant level and there has been an average increase in the interest rate of 25 (2012: 25) basis points for the year ended 31 December 2013, the interest income of the Group would have been increased by HK$0.1 million (2012: HK$0.05 million).

The Group incurs interest expense principally from its bank loans with floating interest rates. Assuming that bank loans outstanding as at the end of the reporting period has been outstanding for the whole year, with all other variables held constant, a 25 (2012: 25) basis point increase in interest rates at 31 December 2013 would have increased the interest expense of the Group by HK$0.5 million (2012: HK$0.4 million).

Foreign currency risk

The Group has transactional currency exposure as about 8% (2012: 9%) of the operating expenses for the year were denominated in United States dollars.

The Group has translational currency exposure because 30% (2012: 76%) of the cash and bank balances were denominated in United States dollars and 52% (2012: 53%) of the listed equity investments at fair value through profit or loss were denominated in Singapore dollars.

The Group considers that the above currency exposures are insignificant as the United States dollar is pegged to the Hong Kong dollar and the listed equity investments at fair value through profit or loss denominated in Singapore dollars only represented approximately 3.3% (2012: 3.6%) of the Group's net assets. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar exchange rate, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in Singapore dollar exchange rate *%*	Increase/ (decrease) in profit before tax *HK$'000*
2013		
If Hong Kong dollar weakens against Singapore dollar	**5.0**	**4,130**
If Hong Kong dollar strengthens against Singapore dollar	**(5.0)**	**(4,130)**
2012		
If Hong Kong dollar weakens against Singapore dollar	5.0	4,546
If Hong Kong dollar strengthens against Singapore dollar	(5.0)	(4,546)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivables are monitored on an ongoing basis to ensure follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has established a credit committee (the "Committee") to manage the credit risk with respect to the loans receivable of the Group. The Committee reviews the credit standing and assesses credit risk exposures of each borrower. In order to mitigate this risk, the Group has formulated a credit policy governing the control of credit risk. In this regard, the directors consider that the credit risk is significantly reduced and controlled.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from equity investments at fair value through profit or loss and available-for-sale investments as at 31 December 2013. The Group's listed investments are listed on either the Stock Exchange or the stock exchange of Singapore, and are valued at quoted market prices at the end of the reporting period.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2013	High/low 2013	31 December 2012	High/low 2012
Hong Kong - Hang Seng Index	23,306	24,112 19,426	22,657	22,719 18,056
Singapore - Straits Times Index	3,167	3,465 2,991	3,167	3,196 2,646

The following table demonstrates the sensitivity to change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

The sensitivity analysis is made based on a 5% increase in Hang Seng Index of Hong Kong (2012: increase of 10%) and a 5% increase in Straits Times Index of Singapore (2012: increase of 10%) anticipated as at the end of the reporting period and an estimated value of beta of the investment portfolios of the Group.

	Carrying amount of listed equity investments *HK$'000*	Increase in profit before tax *HK$'000*	Increase in other components of equity *HK$'000*
2013			
Listed equity investments at fair value through profit or loss listed in:			
Hong Kong	77,481	3,444	—
Singapore	82,601	1,602	—
Available-for-sale investments listed in Hong Kong	518,383	—	18,301
Total		5,046	18,301
2012			
Listed equity investments at fair value through profit or loss listed in:			
Hong Kong	80,892	7,702	—
Singapore	90,921	5,288	—
Available-for-sale investments listed in Hong Kong	720,322	—	41,894
Total		12,990	41,894

The Group's management manages the above exposure by maintaining a well-diversified portfolio with different risk profiles.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2013				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	20,182	—	197	121	20,500
Interest-bearing bank loans	—	156,644	6,609	52,100	215,353
	20,182	156,644	6,806	52,221	235,853

	2012				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	22,138	—	118	197	22,453
Interest-bearing bank loans	—	170,174	—	—	170,174
	22,138	170,174	118	197	192,627

Company

All of the Company's financial liabilities as at the end of the reporting period were repayable on demand.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and 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 or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

Notes to Financial Statements

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity holders of the Company. Net debt includes interest-bearing bank loans, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2013 *HK$'000*	2012 *HK$'000*
Interest-bearing bank loans	212,000	170,000
Other payables and accruals	20,500	22,453
Less: Cash and cash equivalents	(27,621)	(5,454)
Net debt	204,879	186,999
Equity attributable to equity holders of the Company	2,492,495	2,502,953
Gearing ratio	8.2%	7.5%

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**10,308**	(1,321)	(25,596)	6,358	105,945
PROFIT/(LOSS) BEFORE TAX	**160,302**	125,809	(670,415)	157,028	184,004
Tax credit/(expense)	**29,431**	(41)	(24)	(1)	(26)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**189,733**	125,768	(670,439)	157,027	183,978

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**2,725,235**	2,725,077	2,194,423	2,577,075	2,701,590
TOTAL LIABILITIES	**(232,740)**	(222,124)	(165,955)	(92,227)	(111,547)
	2,492,495	2,502,953	2,028,468	2,484,848	2,590,043