第一上海
FIRST SHANGHAI GROUP

First Shanghai Investments Limited

Stock Code : 227

Annual Report 2013

50th anniversary

The Group is committed to enhance corporate citizenship and has become a corporate member of WWF-Hong Kong since 2013 with continuous support to their environmental conservation and educational work. Besides making charitable donations, the Group has also taken part in various programs held by WWF-Hong Kong.

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman
Mr. LO Yuen Yat

Executive Directors
Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors
Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU Xiaohe

COMPANY SECRETARY
Mr. YEUNG Wai Kin

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AUDITOR
PricewaterhouseCoopers
Certified Public Accountants

SOLICITORS
Jennifer Cheung & Co.
Reed Smith Richards Butler
T. H. Koo & Associates

PRINCIPAL BANKERS
China CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTRARS & TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
Stock Code on The Stock Exchange of
Hong Kong Limited: 227

On behalf of the Board, I am pleased to present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2013. The Group's consolidated revenue and net profit attributable to shareholders of the Company for the year ended 31st December 2013 amounted to approximately HK$460 million and HK$43 million respectively.

BUSINESS OVERVIEW

Economic environment of 2013 remained challenging and difficult. The world's economy generally showed an upward trend, while volatility was also high. The US and European markets were buoyed by continuous quantitative easing policies implemented by the governments. US stock markets reported with record highs while European markets rose on better corporate results. Investment sentiment was boosted as various central banks had reaffirmed commitments about maintaining accommodative monetary policies. However, markets were faced with uncertainties and experienced a setback following worry on US's tapering of quantitative easing policy in the second quarter. Investors had renewed concerns about the economic growth and credit conditions of Mainland China. It is only after the release of reform policies by the Central Government in November that market expectation showed a slight upturn.

The Group reported consolidated net profit attributable to shareholders of the Company of approximately HK$43 million for the year ended 31st December 2013, compared to a net loss of approximately HK$98 million last year. This satisfactory result mainly reflected the recovery of our Direct Investment Sector, which especially had been hard hit by the unsatisfactory performance of a listed associate, China Assets (Holdings) Limited ("China Assets") and recorded significant loss in 2012. Blooming on trading activities of Hong Kong stock market and implementation of conducive marketing and investment strategies during the year, our Financial Services Sector reported encouraging results in 2013. However, due to the continuous implementation of strict policy towards the Chinese property market, the Group's result was still trimmed by our Property and Hotel Sector. The Group's revenue was increased by 32% from approximately HK$349 million in 2012 to approximately HK$460 million in 2013, attributable to the improved performance of securities brokerage and investment. Total net assets of the Group raised slightly by 5% from approximately HK$2,621 million to approximately HK$2,748 million in 2013.

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

The Hang Seng Index closed at 23,306 on 31st December 2013, representing a slight increment of 3%. Hong Kong stock market underperformed when compared with other overseas markets. Tracking the decline in China stock market, H-shares dropped with Hang Seng China Enterprises Index reduced by 5%. However, while stock market witnessed significant fluctuation during the reporting year, investment sentiment was still conductive. Average daily market turnover grew by 16% in 2013 with increase in trading activities. Total equity fund raising amount rose by 23%, while IPO market remained relatively active during the year.

For 2013, the Group has recorded satisfactory contributions from both brokerage and margin financing businesses. Operating results of Financial Services Sector boosted by 77% with increase in securities trading turnover and underwriting transactions. Gain from margin loan interest income also rose with increase in margin loan portfolio. Performance of securities investment also reported encouraging results after implementation of facilitative investment strategy.

With increasingly intense competition, we expect gradual squeezing on brokerage commission rate which will pose continuous challenges to our business. To safeguard a healthy development, we will continue to enhance our online trading platform and enlarge target client base. We will also maintain a cautious approach to the credit control of our margin financing business. Capitalising on its advantages, the Group will reinforce expansion on wealth management business by enhancing service quality and widening investment product range to clients.

The achievement of our corporate finance division was remarkable in 2013. We acted as the sole sponsor and the sole bookrunner for the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited of Jin Cai Holdings Company Limited, the second largest cigarette package supplier in Jiangxi Province. We also acted as a joint sponsor and a joint bookrunner for the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited of China Success Finance Group Holdings Limited, a leading guarantee service provider offering financial and non-financial guarantee services and financial consultancy services in Foshan City, Guangdong Province. Amidst the mediocre performance of the Hong Kong stock market, the initial public offerings of Jin Cai Holdings Company Limited and China Success Finance Group Holdings Limited were triumphant with their public offer shares significantly over-subscribed by more than 60 times and 20 times, respectively. In addition, we have also completed 20 corporate financial advisory cases and acted as compliance advisors to 10 Hong Kong listed companies. Our corporate finance division, as an inseparable arm of our Financial Services Sector, shall continue to capitalise its expertise, network and other resources to strive for further success.

Property and Hotel

Market sentiment improved due to strong rigid demand on residential properties. However, as the Central Government was committed to reform the Chinese property market so as to escort a healthier long term development and controllable credit condition, stringent regulatory policies were still imposed. We can observe relaxation on certain measures but not extensive. While the product category of the Group's property development projects is not focusing on residential area, performance remains unsatisfactory. Operating results for 2013, though slightly improved, still reported segmental loss. To map out way of improvement, the Group is currently adjusting its product mix with wider market location and we expect growth will result thereafter.

In 2013, the Group's recognised GFA (gross floor area) and revenue were amounted to approximately 4,000 square meters and HK$26 million respectively. Capital expenditure for property projects incurred for the year was approximately HK$176 million. The Group is currently participating in seven projects with total GFA as summarised below:

Location	Product nature	Expected completion date (Year)	% of interest attributable to the Group	Total GFA (sq.m.)	Area sold in 2013 (sq.m.)	Accumulated area sold (sq.m.)
Zhangjiang, Shanghai, PRC	Office and commercial	Completed	50%	56,000	—	27,000
Kunshan, Jiangsu, PRC	Residential	Completed	70%	55,000	1,000	46,000
Wuxi, Jiangsu, PRC	Hotel, commercial and apartment	Completed	100%	95,000	3,000	7,000
Wuxi, Jiangsu, PRC	Office and industrial					
— Phase I		Completed	70%	38,000	—	18,000
— Phase II		Completed	70%	31,000	—	—
— Phase III		2014	70%	34,000	—	—
Huangshan, Anhui, PRC	Residential and recreation resort					
— Phase A		2014	100%	23,000	—	—
— Phase B		2015	100%	29,000	—	—
Zhongshan, Guangdong, PRC	Residential and recreation resort	2016	99.99%	64,000	—	—
I'sle Adam, France	Hotel and recreation resort	2016	100%	6,000	—	—
Total				431,000	4,000	98,000

During the reporting year, the Group acquired 100% equity interest of Gold S.A.S., which owns a country club and resort and operates a 18-hole golf course in France. The Group is planning to develop a 4-star hotel with the site. The Management is confident that this acquisition will lay a solid foundation for the Group's future growth in recreation resort sector.

Direct Investment

China Assets, the major investment of our Direct Investment Sector, reported a net profit after tax of approximately HK$6 million in 2013. The result was significantly improved compared with a net loss reported in 2012, due to the gain on disposal of an unlisted investment which has been impaired in previous years.

The Group continuous to extend its exposure in the pharmaceutical and healthcare business via China Assets and its Italian subsidiary, Sirton Pharmaceuticals SpA, both reported improving results in 2013.

PROSPECTS

Looking ahead of 2014, the economic outlook of Hong Kong and Mainland China remains challenging. The economy of Mainland China has affirmably ended its rapid growing trend in the past decades and returned to rational growth rate. The credit condition of local governments and quality of Chinese bank assets continue to linger the market. The uncertainty in the timing of tapering of US's quantitative easing monetary policies will persistently suppress fund flows and investment sentiment. However, with various structural reform announced by the Central Government and the acceleration on Renminbi internationalisation, we are confident with the growth of the financial industry.

Given strong expertise and sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage and asset management, financial advisory and IPO sponsorships, we have a solid platform to further expand our business in the market. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to capture business opportunities, broaden its client base and strengthen its market niche.

Despite the difficult property market especially in those second and third tier cities faced by the Group in recent years, we will continue to complete the property projects on hand and widen our product mix and location which will bring reasonable returns to the Group in the long term. We will, as always, actively response to the market changes and make timely adjustments to our development plan.

Regarding the Direct Investment Sector, we will consistently push forward our existing investment strategy, with focus on pharmaceutical and healthcare business. We may also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

APPRECIATION

I would like to take this opportunity to express thanks on behalf of the Board to all our customers for their invaluable support and to our fellow directors and our employees for their dedication and commitment.

LO Yuen Yat
Chairman
Hong Kong, 21st March 2014

Management Discussion and Analysis

RESULTS

For the year ended 31st December 2013, the Group recorded a net profit and basic earnings per share attributable to shareholders of approximately HK$43 million and HK3.04 cents respectively, compared with a net loss and basic losses per share attributable to the shareholders of approximately HK$98 million and HK7.02 cents respectively in 2012. Revenue of the Group is approximately HK$460 million, represents an increase of 32% from 2012.

MATERIAL ACQUISITION AND DISPOSAL OF GROUP COMPANIES

On 27th June 2013, the Group acquired 100% equity interest of Gold S.A.S., which owns a country club and resort and operates a 18-hole golf course in France, at a cash consideration of EUR15 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our various property projects and our financial services business. As at 31st December 2013, the Group had raised bank and other loans of approximately HK$390 million (2012: HK$353 million) and held approximately HK$322 million (2012: HK$330 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 14.2% (2012: 13.5%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2013 amounted to approximately HK$83 million (2012: HK$236 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will maintain in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF GROUP ASSETS

The Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK$676 million (2012: HK$665 million) and fixed deposits of approximately HK$15 million (2012: HK$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK$390 million (2012: HK$349 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the People's Republic of China ("PRC"). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2013, total contingent liabilities relating to these guarantees amounted to approximately HK$1 million (2012: HK$2 million).

EMPLOYEES

As at 31st December 2013, the Group employed 754 staff, of whom 544 are based in the PRC. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined benefit/contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the year ended 31st December 2013 amounted to approximately HK$192 million (2012: HK$169 million).

EXECUTIVE DIRECTORS

Mr. LO Yuen Yat (68). Appointed as Managing Director of the Company in 1993. Mr. Lo joined the Company in 1993 and is currently the Chairman of the Company. He is also the chairman and executive director of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously, Mr. Lo was the senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the State Science & Technology Commission, Ministry of Communications and Railway Ministry of the PRC. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (60). Appointed as Director of the Company in 1998. Mr. Xin joined the Company in 1994 as Executive Vice President in charge of direct investment and property development business. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992.

Mr. YEUNG Wai Kin (52). Appointed as Director of the Company in 1998. Mr. Yeung is also Chief Financial Officer and Company Secretary of the Company. He joined the Company in 1993 and has over 30 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

NON-EXECUTIVE DIRECTOR

Mr. KWOK Lam Kwong, Larry, ***B.B.S., J.P.*** (58). Appointed as Independent Non-executive Director of the Company in 1994 and has been re-designated to Non-executive Director of the Company in 2005. Mr. Kwok is a practising solicitor in Hong Kong and is qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in law. He also holds a diploma in the Advanced Management Program of the Harvard Business School. He is currently Chairman of the Transport Advisory Committee, a member of the Hospital Governing Committee of Prince of Wales Hospital, Land and Development Advisory Committee, Mandatory Provident Fund Schemes Advisory Committee, Mainland Opportunities Committee of the Financial Services Development Council and Competition Commission.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor WOO Chia-Wei (76). Appointed as Independent Non-executive Director of the Company in 1993. Prof. Woo is currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously he was President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of Shanghai Industrial Holdings Limited.

Mr. LIU Ji (78). Appointed as Independent Non-executive Director of the Company in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He served as Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. He is also an independent non-executive director of Wison Engineering Services Company Limited. Mr. Liu is also a class II director of O2micro International Limited, a NASDAQ-listed company.

Mr. YU Qihao (67). Appointed as Independent Non-Executive Director of the Company in 2005. Mr. Yu is a certified public accountant, PRC. He graduated from Shanghai University of Finance and Economics. From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director from 1995 to 1997 and a non-executive director from 1997 to 1998 of Shenyin Wanguo (H.K.) Limited. During the period from 2001 to 2006, Mr Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (61). Appointed as Independent Non-executive Director of the Company in 2007. Mr. Zhou has extensive experience in investment and financing industries. He was educated in China and graduated from the Beijing Industrial University major in Computer Automation. Mr. Zhou was a non-executive director of the Company from 18th May 1995 to 16th June 1998 and of China Assets (Holdings) Limited from 27th March 1995 to 28th November 1997.

SENIOR MANAGEMENT

Mr. QIU Hong (44). Joined the Group in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the management and business development of the Group's financial service business. Prior to joining the Group, Mr. Qiu had worked for an international audit and consulting company and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry, Mr. Qiu is specializing in corporate financing, stockbrokerage and investment in Hong Kong and Chinese Mainland. Mr. Qiu holds a Bachelor's Degree in Economics from Zhong Shan University and a Master of Philosophy (Economics) from Chinese University of Hong Kong.

Mr. CHING Ah Chye (64). Joined the Group in 2001 and is currently the Managing Director of First Shanghai Securities Limited and First Shanghai Futures Limited. He is also a Responsible Officer of both the above-mentioned companies under the Securities and Futures Ordinance. Mr. Ching is responsible for management of overall operation and development of dealing in securities and futures. Mr. Ching holds a Bachelor of Business Administration degree from the University of East Asia, Macau (currently known as the University of Macau). He started his career in several financial institutions and has more than 30 years experience in the securities industry.

Mr. LEE Hon Man, Eric (47). Joined the Group in 2002 and is currently the Managing Director of First Shanghai Capital Limited. Mr. Lee has over 15 years working experience in the corporate finance field. Prior to joining the Group, Mr. Lee worked for a Singapore based investment bank and has extensive experience in initial public offerings on both GEM and the Main Board of the Hong Kong Stock Exchange as well as other corporate finance advisory services. Mr. Lee also has working experience in the areas of electronic engineering, information technology and management consultancy. Mr. Lee holds a Master's degree of Business Administration from the Chinese University of Hong Kong and a Bachelor's degree of Engineering in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its code on corporate governance (the "Code") which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Code was prepared with reference to the code provisions and recommended best practices as stipulated in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Code not only formalizes the Company's existing corporate governance principles and practices, but also serves to assimilate practices with benchmarks prescribed by the Stock Exchange, ultimately ensuring that the Company runs a highly transparent operation and is accountable to its shareholders. In addition to abiding strictly by the laws and regulations of Hong Kong and observing the rules and guidelines issued by the relevant regulatory authorities, the Company will also regularly review its corporate governance practices, with a view to conforming to international and local best practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31st December 2013, except for the deviation from code provision A.2.1 in respect of segregation of the roles of chairman and chief executive officer. Such deviation will be discussed in the relevant sections of this report in more details. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Function and composition

The principal focus of the Board is on the overall strategic development of the Group. The Board provides direction and approval in relation to matters concerning the Company's business strategies and policies and monitors the overall financial performance and internal controls of the Group. Day-to-day management of the Group is delegated to the executive directors or the senior management who is required to report back to the Board on regular basis. The Board is also responsible to the corporate governance function of the Company.

Members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. In discharging its corporate accountability, every director is required to pursue excellence in the interests of the shareholders of the Company and fulfill his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

The Board meets regularly throughout the year. During the year, there were four Board meetings held to discuss the overall strategy as well as the operation and financial performance of the Group.

The Board of the Company comprises:

Executive Directors:	Mr. LO Yuen Yat *(Chairman)* Mr. XIN Shulin Mr. YEUNG Wai Kin
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*
Independent Non-executive Directors:	Prof. WOO Chia-Wei Mr. LIU Ji Mr. YU Qihao Mr. ZHOU Xiaohe

The Board comprises of three executive directors and five non-executive directors. Of the five non-executive directors, four of them are independent non-executive directors that represent more than one-third of the Board. In addition, two of the non-executive directors possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board.

In accordance with the Company's Articles of Association, at each annual general meeting, one-third of the directors of the Board for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that each director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election.

Chairman and chief executive officer

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

Non-executive directors

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

The non-executive directors serve an important function of ensuring and monitoring the basis for an effective corporate governance framework. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

Directors' continuous professional development

Each newly appointed director is provided with necessary induction and information to ensure that he/she is sufficiently aware of his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company will arrange and sponsor suitable training for its directors as required. In addition, the directors are briefed, from time to time, on the amendments or updates on the relevant laws, rules and regulations, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records obtained by the Company, a summary of training received by the directors during the year is as follows:

Name of directors	Types of continuous professional development
Mr. LO Yuen Yat	A, B
Mr. XIN Shulin	A, B
Mr. YEUNG Wai Kin	A, B
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	A, B
Prof. WOO Chia-Wei	A, B
Mr. LIU Ji	A, B
Mr. YU Qihao	A, B
Mr. ZHOU Xiaohe	A, B

Notes:

A — attending briefing sessions and/or seminars

B — reading seminar materials, journals and/or updates relating to the economy, general business and latest development of applicable regulatory requirements

BOARD COMMITTEES

The Board has established three specialised committees (the "Board Committees") namely the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") to assist in carrying out and discharging duties and responsibilities efficiently and effectively. The Board Committees function within clearly defined terms of reference which are reviewed from time to time. The structure and effectiveness of each Board Committee is also constantly reviewed by the Board.

Nomination Committee

The Nomination Committee was established on 1st March 2012. The majority of the Nomination Committee members are independent non-executive directors and its members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Prof. WOO Chia-Wei *(Committee Chairman)* Mr. YU Qihao Mr. ZHOU Xiaohe

The terms of reference of the Nomination Committee were adopted when the Committee was established on 1st March 2012. The Nomination Committee was set up to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

During the year, one meeting was held to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board and the annual confirmation of independence submitted by the independent non-executive directors and assess their independence.

Remuneration Committee

The Remuneration Committee was established on 30th June 2005. The majority of the Remuneration Committee members are independent non-executive directors and its members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Mr. ZHOU Xiaohe *(Committee Chairman)* Prof. WOO Chia-Wei Mr. YU Qihao

The terms of reference of the Remuneration Committee were adopted when the Committee was established and were amended on 1st March 2012. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

During the year, two meetings were held to discuss the remuneration policies and approve the remuneration packages of individual director and senior management of the Company.

Audit Committee

The Audit Committee was established on 27th December 1998. All members of the Audit Committee are non-executive directors and its members include:

Independent Non-executive Directors:	Mr. YU Qihao *(Committee Chairman)* Prof. WOO Chia-Wei Mr. LIU Ji Mr. ZHOU Xiaohe
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Each member of the Audit Committee has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The terms of reference of the Audit Committee were adopted when the Committee was established and were amended on 1st March 2012. The Audit Committee was set up to ensure proper financial reporting and internal control principles are in place and follow. The Audit Committee meets regularly, to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process.

The Board acknowledges its responsibilities for preparing the financial statements of the Group and is responsible to ensure that the preparation of the financial statements of the Group is in accordance with the statutory requirements and applicable accounting standards.

During the year, there were three meetings held. The Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee met with the Company's external auditor during each of the committee meeting held in 2013 to liaise the Group's financial reporting and material financial matters. The Audit Committee has also reviewed report of the Company's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

MEETINGS AND ATTENDANCE

The Board/Board Committees meet regularly throughout the year. Notice of at least 14 days have been given to all directors for all regular Board/Board Committee meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying meeting papers in respect of regular Board/Board Committee meetings are sent out to all directors within reasonable time before the relevant meeting.

Draft minutes of Board/Board Committee meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of Board/Board Committee meetings are kept by the Company Secretary and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board/Board Committee to make an informed decision on matters placed before it.

During the year, the individual attendance of each director at the Board meetings, the Board Committee meetings and the Company's annual general meeting (the "AGM") is set out below:

Name of director	Board meeting	Nomination Committee meeting	Remuneration Committee meeting	Audit Committee meeting	AGM
No. of meetings held during 2013	4	1	2	3	1
Mr. LO Yuen Yat	3	—	2	n/a	1
Mr. XIN Shulin	3	n/a	n/a	n/a	1
Mr. YEUNG Wai Kin	4	n/a	n/a	n/a	1
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	4	n/a	n/a	3	1
Prof. WOO Chia-Wei	4	1	2	3	1
Mr. LIU Ji	3	n/a	n/a	2	1
Mr. YU Qihao	4	1	2	3	1
Mr. ZHOU Xiaohe	4	1	2	3	1

Mr. YEUNG Wai Kin attended all the Board/Board Committee meetings in 2013 in the capacity of Company Secretary of the Company.

COMPANY SECRETARY

Mr. YEUNG Wai Kin was appointed as Company Secretary of the Company. Following specific enquiry by the Company, he has complied with the requirements as stipulated in Rule 3.29 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December 2013.

DISCLOSURE FOR REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the year ended 31st December 2013, the remuneration of the members of the senior management by band is set out below:

Emolument bands	Number of individuals
HK$2,000,001–4,000,000	2
HK$10,000,001–12,000,000	1
	3

Details of the directors' remuneration and five highest paid individuals for the year ended 31st December 2013 are set out in Note 13 to the consolidated financial statements.

AUDITOR'S REMUNERATION

For the year ended 31st December 2013, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK$2,812,000 for audit and related services and HK$268,000 for other non-audit services — taxation services.

COMMUNICATION WITH SHAREHOLDERS

Corporate communication policy

The Company recognises the importance of effective and proper communications with its shareholders and investors. A policy setting out the principles of the Company in relation to the shareholders' communications, with the objectives of ensuring a fair, transparent and timely communication with shareholders has been established and published on the website of the Company.

Information disclosure

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

General meetings with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and shareholders of the Company. The Company ensures that shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered. The AGM was held on 24th May 2013. The Company's external auditor and various directors have attended the AGM to answer questions from shareholders.

Shareholders' right

(A) *Convening of extraordinary general meeting on requisition by shareholders*

In accordance with Section 113 of the Hong Kong Companies Ordinance, shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company which as at the date of the deposit carries the right of voting at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the objects of the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of three months from the said date. The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

(B) *Procedures for directing shareholders' enquiries to the board*

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

(C) *Procedures for putting forward proposals at general meetings by shareholders*

Shareholders are requested to follow Section 115A of the Hong Kong Companies Ordinance for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may submit a requisition in writing to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

(ii) The Company shall not be bound by the Hong Kong Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or two or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than one week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

(iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

(D) Procedures for proposing a person for election as a director

As regards the procedure for proposing a person for election as a director, please refer to the procedures made available under the "Our Company" section, "Shareholders Information" sub-section ("Procedure for Shareholders to propose a person for election as a director") of the website of the Company.

Constitutional documents

During the year, there was no change to the Company's Memorandum and Articles of Association. The latest version of the Memorandum and Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. The new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) became effective on 3rd March 2014 and has superseded the majority of the old Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Company has proposed to amend its Articles of Association accordingly for the shareholders' approval in the forthcoming annual general meeting.

CORPORATE SOCIAL RESPONSIBILITIES

We are committed to fulfilling our social responsibility as we believe it is essential to our success in creating value for our customers, stakeholders and society as a whole. As a responsible corporate citizen, we care for the community and incorporate sustainability and social responsibility into our business strategies and corporate culture. We also encourage our employees to support volunteer services and community activities to contribute for a better community and a more sustainable environment. We strongly believe in our responsibility to create a better environment for future generation. In addition, we are pledged to operate in strict compliance with environmental regulations and rules and embed environmental considerations into daily operations.

The Group supports all initiatives that improve the well-being of the community. Recently, we have participated in a mentor scheme organized by Hong Kong Playground Association to provide guidance services to the youth in Hong Kong. Besides, we strive to promote and support various environmental protection projects. Since 2013, the Group has joined WWF as corporate member and has participated in their activities including Mai Po Charity Walk and other volunteer work for coastal environment protection. In 2013, we have continued to arrange unserviceable computers and redundant parts to be delivered to Caritas-HK Computer Workshop for refurbish purpose. Apart, we do eager to care our employees by adopting various employee-friendly policies. Being recently awarded by The Hong Kong Council of Social Service as a Caring Company, the Group will continue to pledge our sustainability and social responsibility.

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and joint ventures are set out in Notes 19, 20 and 21 to the consolidated financial statements respectively.

An analysis of the Group's performance for the year by operating and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS

The results for the year are set out in the consolidated income statement on page 25.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December 2013 and 2012.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2013, calculated pursuant to Section 79B of the Hong Kong Companies Ordinance, amounted to HK$370,953,000 (2012: HK$332,545,000).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 36 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$33,000 (2012: HK$78,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2013.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. LO Yuen Yat
Mr. XIN Shulin
Mr. YEUNG Wai Kin
* Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.
** Prof. WOO Chia-Wei
** Mr. LIU Ji
** Mr. YU Qihao
** Mr. ZHOU Xiaohe

* *Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. is a non-executive director of the Company.*

** *Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe are independent non-executive directors of the Company.*

Mr. YEUNG Wai Kin, Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. and Mr. YU Qihao retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st December 2013, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

(a) Interests in respect of the Company:

		Number of shares and underlying shares held			
Directors		**Personal interests**	**Corporate interests**	**Total**	**% of issued share capital of the Company**
Mr. LO Yuen Yat *(Note)*	Long position	108,349,636	72,952,000	181,301,636	12.96%
Mr. XIN Shulin	Long position	8,032,000	—	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	20,384,304	—	20,384,304	1.46%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	Long position	1,000,000	—	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	—	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	—	500,000	0.04%
Mr. YU Qihao	Long position	1,000,000	—	1,000,000	0.07%
Mr. ZHOU Xiaohe	Long position	160,000	—	160,000	0.01%

Note: 72,952,000 shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. LO Yuen Yat.

(b) Interests in respect of an associated corporation:

			Number of shares and underlying shares held		
Directors			**Personal interests**	**Total**	**% of issued share capital of the associated corporation**
Mr. LO Yuen Yat	China Assets	Long position	1,700,000	1,700,000	2.21%
Mr. YEUNG Wai Kin	China Assets	Long position	1,250,000	1,250,000	1.63%

Saved as disclosed above, at no time during the year, the directors and chief executives had any interest in shares, underlying shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2013, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares of HK$0.2 each in the Company:

		Personal interests	Family interests	Corporate interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") *(Note 1)*	Long position	—	—	247,674,500	247,674,500	17.70%
Ms. CHAN Chiu, Joy ("Ms. Chan") *(Note 2)*	Long position	131,616,000	12,432,000	57,592,000	201,640,000	14.41%
Mr. YIN Jian, Alexander ("Mr. Yin") *(Note 2)*	Long position	12,432,000	131,616,000	57,592,000	201,640,000	14.41%

Notes:

(1) China Assets is a Hong Kong listed company, which is also an associated company of the Group.

(2) 57,592,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under the Scheme does not in aggregate exceed 10% of the shares in issue on the date of approval of the Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed 30% of the shares in issue from time to time.

As at 31st December 2013, options to subscribe for a total of 122,595,064 ordinary shares were still outstanding under the Scheme which represents approximately 9% of the issued ordinary shares of the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The consideration for the grant of options is HK$1.00. The Scheme participant is entitled to subscribe for shares during such period as may be determined by the directors (which shall be less than 10 years from the date of the grant of the relevant option and commences not less than six months after the date of grant) at the price to be determined by the Board but not less than the highest of the nominal value of the shares, the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

Details of share options remain outstanding as at 31st December 2013 are as follows:

	Options held at 1st January 2013 and 31st December 2013	Exercise price HK$	Date of grant	Exercise period	Vesting period
Directors					
Mr. LO Yuen Yat	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. XIN Shulin	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YEUNG Wai Kin	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. WOO Chia-Wei	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. LIU Ji	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YU Qihao	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	7,250,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	51,568,000				

Notes:

(1) No share options were granted, exercised or lapsed under the Scheme during the year ended 31st December 2013.

(2) No share options granted under the Scheme were cancelled during the year ended 31st December 2013.

(3) The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2013.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are both less than 30% for 2013 and 2012.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2013.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,946,281**	4,629,316	4,934,702	4,733,083	4,680,919
Total liabilities	**2,198,746**	2,008,376	2,220,043	1,864,028	1,926,318
Total net assets	**2,747,535**	2,620,940	2,714,659	2,869,055	2,754,601
Revenue	**459,579**	349,085	285,409	291,904	587,498
Profit/(loss) attributable to shareholders	**42,540**	(98,266)	(45,819)	108,603	187,885
Earnings/(losses) per share					
— basic	**3.04 cents**	(7.02) cents	(3.28) cents	7.77 cents	13.44 cents
— fully diluted	**3.03 cents**	(7.02) cents	(3.28) cents	7.70 cents	13.37 cents

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITOR

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

By order of the Board

LO Yuen Yat
Chairman

Hong Kong, 21st March 2014

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF FIRST SHANGHAI INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 106, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st March 2014

Consolidated Income Statement

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	4	**459,579**	349,085
Cost of sales		**(182,906)**	(148,405)
Gross profit		**276,673**	200,680
Other gains/(losses) — net	5	**548**	(24,461)
Selling, general and administrative expenses		**(243,485)**	(233,535)
Operating profit/(loss)	6	**33,736**	(57,316)
Finance income	7	**15,715**	19,770
Finance costs	7	**(16,953)**	(23,364)
Finance costs — net	7	**(1,238)**	(3,594)
Share of profits less losses of			
Associated companies	20	**4,596**	(52,708)
Joint ventures	21	**9,358**	5,122
Profit/(loss) before taxation		**46,452**	(108,496)
Taxation	8(a)	**(4,594)**	3,161
Profit/(loss) after taxation		**41,858**	(105,335)
Profit attributable to minority investors of an investment fund		**—**	(657)
Profit/(loss) for the year		**41,858**	(105,992)
Attributable to:			
Shareholders of the Company	9	**42,540**	(98,266)
Non-controlling interests		**(682)**	(7,726)
		41,858	(105,992)
Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the year			
— Basic	10	**HK3.04 cents**	HK(7.02) cents
— Diluted	10	**HK3.03 cents**	HK(7.02) cents

The notes on pages 32 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year	**41,858**	(105,992)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
— Actuarial losses on retirement benefit obligations	**(27)**	(674)
Items that may be reclassified to profit or loss		
— Fair value gain on available-for-sale financial assets	**16,014**	30,125
— Capital reserve realised upon disposal of subsidiaries	**(290)**	—
— Currency translation differences	**37,053**	271
— Share of post-acquisition reserves of an associated company	**31,987**	(17,449)
	84,764	12,947
Other comprehensive income for the year, net of tax	**84,737**	12,273
Total comprehensive income/(loss) for the year	**126,595**	(93,719)
Attributable to:		
Shareholders of the Company	**124,831**	(86,231)
Non-controlling interests	**1,764**	(7,488)
	126,595	(93,719)

The notes on pages 32 to 106 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets	15	**13,757**	2,126
Property, plant and equipment	16	**535,253**	391,730
Investment properties	17	**436,768**	419,495
Leasehold land and land use rights	18	**54,114**	54,934
Investments in associated companies	20	**279,921**	241,473
Investments in joint ventures	21	**244,972**	236,795
Deferred tax assets	37	**15,184**	15,682
Available-for-sale financial assets	22	**142,932**	126,890
Loans and advances	23	**10,856**	10,931
Total non-current assets		**1,733,757**	1,500,056
Current assets			
Properties under development	24	**246,824**	222,830
Properties held for sale		**303,034**	347,975
Inventories	25	**8,405**	7,495
Loans and advances	23	**538,806**	494,804
Trade receivables	26	**242,042**	147,514
Other receivables, prepayments and deposits	27	**67,753**	42,055
Tax recoverable	8(b)	**948**	896
Financial assets at fair value through profit or loss	29	**82,750**	235,691
Deposits with banks	30	**3,032**	2,847
Client trust bank balances	31	**1,400,313**	1,300,485
Cash and cash equivalents	31	**318,617**	326,668
Total current assets		**3,212,524**	3,129,260
Current liabilities			
Trade and other payables	32	**1,693,375**	1,545,356
Tax payable	8(b)	**37,725**	36,851
Borrowings	33	**82,976**	14,799
Total current liabilities		**1,814,076**	1,597,006
Net current assets		**1,398,448**	1,532,254
Total assets less current liabilities		**3,132,205**	3,032,310
Non-current liabilities			
Deferred tax liabilities	37	**69,008**	65,432
Retirement benefit obligations	34	**8,221**	7,751
Borrowings	33	**307,441**	338,187
Total non-current liabilities		**384,670**	411,370
Net assets		**2,747,535**	2,620,940

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Equity			
Share capital	35	**279,783**	279,783
Reserves	36	**2,374,968**	2,249,764
Capital and reserves attributable to the Company's shareholders		**2,654,751**	2,529,547
Non-controlling interests		**92,784**	91,393
Total equity		**2,747,535**	2,620,940

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 32 to 106 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	19	**97,698**	87,699
Available-for-sale financial assets	22	**141,304**	125,290
Loans and advances	23	**10,856**	10,931
Total non-current assets		**249,858**	223,920
Current assets			
Other receivables, prepayments and deposits	27	**643**	642
Amounts due from subsidiaries	28(a)	**1,523,442**	1,442,500
Cash and cash equivalents	31	**14,939**	15,022
Total current assets		**1,539,024**	1,458,164
Current liabilities			
Trade and other payables	32	**7,910**	5,687
Amounts due to subsidiaries	28(b)	**82,828**	32,675
Total current liabilities		**90,738**	38,362
Net current assets		**1,448,286**	1,419,802
Net assets		**1,698,144**	1,643,722
Equity			
Share capital	35	**279,783**	279,783
Reserves	36	**1,418,361**	1,363,939
Total equity		**1,698,144**	1,643,722

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 32 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Net cash inflow/(outflow) from operating activities	38	119,523	(103,007)
Hong Kong profits tax paid		(9,254)	(3,872)
Overseas taxation paid		(4,760)	(5,225)
Net cash generated from/(used in) operating activities		105,509	(112,104)
Cash flows from investing activities			
Interest received		15,173	19,358
Purchase of property, plant and equipment		(13,230)	(12,681)
Proceeds from disposal of property, plant and equipment		2,106	2,651
Proceeds from disposal of investment properties		5,003	47,054
Proceeds from disposal of available-for-sale financial assets		—	70
Acquisition of a subsidiary		(149,137)	—
Acquisition of a joint venture		(148)	—
Dividends received from a joint venture		8,737	8,580
(Increase)/decrease in deposits with banks		(185)	3,937
Receipt of loans repayment from third parties		6,939	6,377
Net cash (used in)/generated from investing activities		(124,742)	75,346
Cash flows from financing activities			
Interest paid		(24,629)	(23,110)
Proceeds from borrowings		72,000	228,155
Repayments of borrowings		(40,537)	(197,693)
Redemption of redeemable participation shares		—	(15,372)
Net cash generated from/(used in) financing activities		6,834	(8,020)
Net decrease in cash and cash equivalents		(12,399)	(44,778)
Cash and cash equivalents at 1st January		326,668	370,942
Exchange differences		4,348	504
Cash and cash equivalents at 31st December		318,617	326,668
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand		151,920	135,968
Short-term bank deposits			
— pledged		15,000	15,000
— non-pledged		151,697	175,700
Cash and cash equivalents as above		318,617	326,668

The notes on pages 32 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2013

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1st January 2013	**279,783**	**849,536**	**40,458**	**216,107**	**14,006**	**12,334**	**125,290**	**128,123**	**863,910**	**91,393**	**2,620,940**
Total comprehensive income	**—**	**—**	**—**	**31,697**	**—**	**—**	**16,014**	**34,607**	**42,513**	**1,764**	**126,595**
Transfer from retained earnings	—	—	—	85	—	—	—	—	(85)	—	—
Changes in ownership interests in subsidiary without change of control	—	—	—	373	—	—	—	—	—	(373)	—
	—	—	—	458	—	—	—	—	(85)	(373)	—
At 31st December 2013	**279,783**	**849,536**	**40,458**	**248,262**	**14,006**	**12,334**	**141,304**	**162,730**	**906,338**	**92,784**	**2,747,535**

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1st January 2012	279,783	849,536	40,500	233,332	14,006	12,334	95,165	128,090	963,032	98,881	2,714,659
Total comprehensive loss	—	—	—	(17,449)	—	—	30,125	33	(98,940)	(7,488)	(93,719)
Transfer from retained earnings	—	—	—	224	—	—	—	—	(224)	—	—
Transfer of reserve upon lapse of share options	—	—	(42)	—	—	—	—	—	42	—	—
	—	—	(42)	224	—	—	—	—	(182)	—	—
At 31st December 2012	279,783	849,536	40,458	216,107	14,006	12,334	125,290	128,123	863,910	91,393	2,620,940

The notes on pages 32 to 106 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

First Shanghai Investments Limited (the "Company") and its subsidiaries, associated companies and joint ventures (together, the "Group") are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, buildings, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) Standards and amendments to existing Standards effective in 2013 adopted by the Group

The following Standards and amendments to existing Standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2013 and have a material impact on the Group:

HKAS 1 (Amendment), "Presentation of Financial Statements". The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 7 (Amendment), "Financial Instruments: Disclosures" on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the consolidated balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) Standards and amendments to existing Standards effective in 2013 adopted by the Group (continued)

HKFRS 12, "Disclosure of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements and associates.

HKFRS 13, "Fair Value Measurements". It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other Standards within HKFRSs.

(b) Standards, amendments and interpretation to existing Standards that are not yet effective and have not been adopted by the Group

The following Standards, amendments and interpretation to existing Standards have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
• HKAS 19 (Amendment)	Defined Benefit Plans;	1st July 2014
• HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities;	1st January 2014
• HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets;	1st January 2014
• HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting;	1st January 2014
• HKFRS 7 and 9 (Amendment)	Mandatory Effective Date and Transition Disclosures;	1st January 2015
• HKFRS 9	Financial Instruments;	1st January 2015
• HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	Investment Entities;	1st January 2014
• HKFRS 14	Regulatory Deferral Accounts;	1st January 2016
• HK(IFRIC)-Int 21	Levies; and	1st January 2014
• Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012 and 2013	1st July 2014

The Group has already commenced an assessment of the related impact of adopting the above Standards, amendments and interpretation to existing Standards to the Group. The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(a) *Business combinations*

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) *Business combinations (continued)*

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.11). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.7).

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associated companies *(continued)*

Profits and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated income statement.

2.4 Joint ventures

Under HKFRS 11, investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (the "Board") of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associated companies and joint ventures is included in "investments in associated companies" and "investments in joint ventures" respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Trading rights

The trading rights at the Hong Kong Futures Exchange Limited ("trading rights") are recognised as intangible assets in the consolidated balance sheet. They have indefinite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

2.8 Property, plant and equipment

(a) Land and buildings in Hong Kong

The Group carries its leasehold land classified as finance lease at cost. Buildings in Hong Kong are carried at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the assets revaluation reserve. Effective from annual period ending after 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80A of HKAS 16, "Property, plant and equipment", issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

(b) Construction-in-progress

Construction-in-progress comprises other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Property, plant and equipment *(continued)*

(c) Other property, plant and equipment

Other property, plant and equipment comprises mainly buildings outside Hong Kong, furniture, fixtures and equipment, and vehicles, trucks and machinery are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

(d) Depreciation and amortisation

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

Leasehold land classified as finance lease	Over the term of the leases
Buildings	Over the shorter of the term of the leases or 40 years
Furniture, fixtures and equipment	3 to 7 years
Plant and machinery	8 to 10 years
Motor vehicles	5 years
Trucks	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

(e) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other gains/(losses) — net" in the consolidated income statement. When revalued assets are sold, the amounts included in assets revaluation reserve are transferred to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. It also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar constructions; and
- status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investment properties *(continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged in the consolidated income statement during the financial year in which they are incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated income statement as part of "other gains/(losses) — net".

2.10 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are amortised in the consolidated income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is recognised in the consolidated income statement. They are included in non-current assets.

2.11 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

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

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in the associated companies and joint ventures are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associated companies or joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associated company or joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount exceeds the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets

2.12.1 Classification

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

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loans and advances", "client trust bank balances", "cash and cash equivalents", "deposits with banks" and "trade and other receivables" in the consolidated balance sheet.

(c) *Available-for-sale financial assets*

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

2.12.2 Recognition and measurement

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

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including net gains/(losses) on disposal and remeasurement at fair value, are recognised in the consolidated income statement within "revenue". Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of "revenue" when the Group's right to receive payments is established.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets *(continued)*

2.12.2 Recognition and measurement (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "gains and losses from available-for-sale financial assets". Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends income on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuers' specific circumstances, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale financial assets are not reversed through the consolidated income statement. Impairment testing of trade and other receivables is described in Note 2.15.

2.13 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs capitalised and professional fees incurred during the construction period. Upon completion, the properties are transferred to properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. The cost of finished goods and work in progress comprises raw materials, direct labour, shipping costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Client trust bank balances

The Group has classified in the consolidated balance sheet, the clients' deposits as client trust bank balances in the current assets section and recognised a corresponding trade payables to the respective clients under the current liabilities section.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to shareholders of the Company.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred taxation

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits

(a) *Pension obligations*

The Group has both defined contribution retirement plan and Italian staff leaving indemnities ("TFR") which are classified as defined benefit retirement plan.

Defined contribution retirement plan

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited for those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in the People's Republic of China ("PRC"), the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

Defined benefit retirement plan

A defined benefit retirement plan is a pension plan that is not a defined contribution retirement plan. Typically defined benefit retirement plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

(b) *Employee leave entitlements*

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

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

(c) *Discretionary bonus*

Discretionary bonus is accrued in the year in which the associated services are rendered by employees of the Group.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits *(continued)*

(d) Employee share-based compensation

The Group operates an equity-settled, employee share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.24 Contingent liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue from brokerage and commission, management, consultancy, advisory and handling services rendered is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.

(b) Revenue from securities trading represents the net gains/(losses) on disposal and remeasurement of financial assets at fair value through profit or loss. All transactions related to securities trading are recorded in the consolidated financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.

(c) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Revenue from sales of properties is recognised upon completion of sales agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(e) Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.

(f) Operating lease rental income is recognised on a straight-line basis over the lease periods.

(g) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(h) Dividend income is recognised when the rights to receive payment is established.

2.26 Finance costs

Finance costs incurred for the construction of any qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Operating leases

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

Assets leased out under operating leases are included in property, plant and equipment, and investment properties in the consolidated balance sheet. Lease income is recognised over the term of the lease on straight-line basis.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 17.

(d) Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale financial assets securities) is based on quoted market prices at the end of each reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(e) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of loans and advances, and trade and other receivables. Allowance is made when there are events or changes in circumstances which indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation on the recoverability of loans and advances, and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loans and advances and trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(f) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. 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 costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

(g) Impairment of property, plant and equipment

The Group reviews the recoverable amounts of the property, plant and equipment whenever there are events or changes in circumstances which indicate that the carrying amounts may not be recoverable. Impairment loss is recognised when the carrying amount exceeds its recoverable amount. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

(h) Provision for impairment of investments in subsidiaries and amounts due from subsidiaries

The Company makes provision for impairment of investments in subsidiaries and amounts due from subsidiaries based on an assessment of the recoverability of these balances. Provision is applied to investments in and amounts due from subsidiaries where events and changes in circumstances indicate these balances may not be collectible. The identification of impairment of these balances requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investments and receivables and provision for impairment losses in the year in which such estimate has been changed.

(i) Provision for impairment of investments in associated companies and joint ventures

The Group assesses the indicator under HKAS 39 to assess if the investments in associated companies and joint ventures are impaired. Any provision for impairment of these investments is based on an assessment of the recoverability of these balances following the guidance under HKAS 36. The identification of impairment of these balances requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investments and receivables and provision for impairment losses in the year in which such estimate has been changed.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(j) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at each balance sheet date. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- Securities investment
- Corporate finance and stockbroking
- Property development
- Property investment and hotel
- Direct investment

The Board assesses the performance of the operating segments based on a measure of segment results and share of results of associated companies and joint ventures.

4. SEGMENT INFORMATION *(continued)*

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, properties held for sale, inventories, financial assets and operating cash.

The Group operates primarily in Hong Kong and the PRC. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods.

(a) Operating segments

	Securities investment 2013 HK$'000	Corporate finance and stockbroking 2013 HK$'000	Property development 2013 HK$'000	Property investment and hotel 2013 HK$'000	Direct investment 2013 HK$'000	Group 2013 HK$'000
Income statement						
Revenue	30,358	203,730	25,764	108,148	91,579	459,579
Segment results	27,019	78,479	(12,818)	(43,639)	14,847	63,888
Unallocated net operating expenses						(30,152)
Operating profit						33,736
Finance costs — net						(1,238)
Share of profits less losses of						
— Associated companies	—	—	—	—	4,596	4,596
— Joint ventures	—	—	—	8,372	986	9,358
Profit before taxation						46,452
Balance sheet						
Segment assets	98,286	2,324,211	665,380	986,453	312,183	4,386,513
Investments in associated companies	—	—	—	—	279,921	279,921
Investments in joint ventures	—	—	—	203,204	41,768	244,972
Tax recoverable						948
Deferred tax assets						15,184
Corporate assets						18,743
Total assets						4,946,281
Other information						
Depreciation and amortisation	10	1,385	1,165	38,634	1,990	43,184

Note: There were no sales among the operating segments.

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Securities investment 2012 HK$'000	Corporate finance and stockbroking 2012 HK$'000	Property development 2012 HK$'000	Property investment and hotel 2012 HK$'000	Direct investment 2012 HK$'000	Group 2012 HK$'000
Income statement						
Revenue	22,666	143,798	17,133	104,136	61,352	349,085
Segment results	15,289	44,191	(24,287)	(39,285)	(22,467)	(26,559)
Unallocated net operating expenses						(30,757)
Operating loss						(57,316)
Finance costs — net						(3,594)
Share of profits less losses of						
— Associated companies	—	—	—	—	(52,708)	(52,708)
— Joint ventures	—	—	—	3,542	1,580	5,122
Loss before taxation						(108,496)
Balance sheet						
Segment assets	247,891	2,071,027	656,723	811,365	301,284	4,088,290
Investments in associated companies	—	—	—	—	241,473	241,473
Investments in joint ventures	—	—	—	197,396	39,399	236,795
Tax recoverable						896
Deferred tax assets						15,682
Corporate assets						46,180
Total assets						4,629,316
Other information						
Depreciation and amortisation	9	1,853	1,220	35,764	6,348	45,194

Note: There were no sales among the operating segments.

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Hong Kong 2013 HK$'000	**PRC and others 2013 HK$'000**	**Group 2013 HK$'000**
Revenue	**233,895**	**225,684**	**459,579**
Non-current assets*	**360,432**	**1,215,209**	**1,575,641**

	Hong Kong 2012 HK$'000	PRC and others 2012 HK$'000	Group 2012 HK$'000
Revenue	149,170	199,915	349,085
Non-current assets*	322,332	1,035,152	1,357,484

* *Non-current assets exclude available-for-sale financial assets and deferred tax assets.*

5. OTHER GAINS/(LOSSES) — NET

	Group	
	2013 HK$'000	2012 HK$'000
Gain on disposal of interests in subsidiaries	**290**	—
Loss on disposal of investment properties	**(505)**	(40,443)
Fair value (losses)/gains on investment properties	**(18,056)**	15,613
Gain on disposal of an available-for-sale financial asset	**—**	70
Gain on disposal of financial assets at fair value through profit or loss	**12,048**	—
Net foreign exchange gain	**6,771**	299
	548	(24,461)

6. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	Group 2013 HK$'000	2012 HK$'000
Crediting		
Reversal of provision of obsolete stock	—	549
Reversal of provision for doubtful debts *(Note 26)*	—	302
Net gain on disposal of property, plant and equipment	980	942
Charging		
Depreciation	41,744	43,838
Amortisation of leasehold land and land use rights *(Note 18)*	1,781	1,753
Cost of properties sold	26,121	14,557
Cost of inventories	68,959	63,346
Stockbroking commission and related expenses	26,455	14,959
Staff costs *(Note 12)*	191,607	168,900
Operating lease rental in respect of land and buildings	9,153	7,450
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	2,812	2,482
— other auditors	1,171	1,176
Non-audit services — the Company's auditor	268	295
Provision of obsolete stock	324	—
Provision for doubtful debts *(Note 26)*	196	—

7. FINANCE COSTS — NET

	Group 2013 HK$'000	2012 HK$'000
Finance income — interest income	15,715	19,770
Finance costs		
— Interest on loans and overdrafts	(24,811)	(23,364)
— Less: amounts capitalised as qualifying assets	7,858	—
Total finance costs	(16,953)	(23,364)
Finance costs — net	(1,238)	(3,594)

8. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) The amount of taxation charged/(credited) to the consolidated income statement represents:

	Group 2013 HK$'000	Group 2012 HK$'000
Hong Kong profits tax		
Current	**10,714**	7,371
Under/(over)-provision in previous years	**88**	(1,455)
Overseas taxation		
Current	**2,754**	7,873
Under-provision in previous years	**233**	632
Deferred taxation *(Note 37)*	**(9,195)**	(17,582)
Taxation charge/(credit)	**4,594**	(3,161)

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Profit/(loss) before taxation (net of share of profits less losses of associated companies and joint ventures)	**32,498**	(60,910)
Tax calculated at a taxation rate of 16.5% (2012: 16.5%)	**5,362**	(10,050)
Effect of different taxation rates in other countries	**(13,266)**	(9,364)
Income not subject to taxation	**(2,421)**	(3,318)
Expenses not deductible for taxation purposes	**2,522**	2,502
Under/(over)-provision in previous years, net	**321**	(823)
Unrecognised deferred tax assets	**11,052**	10,623
Corporate withholding tax	**(561)**	1,463
Others	**(16)**	143
	2,993	(8,824)
Land appreciation tax	**1,601**	5,663
Taxation charge/(credit)	**4,594**	(3,161)

8. TAXATION *(continued)*

(b) The amount of taxation in the Group's consolidated balance sheet represents:

	Group 2013 HK$'000	2012 HK$'000
Recoverable — Overseas	**948**	896
Payable		
Hong Kong	**3,303**	1,770
Overseas	**34,422**	35,081
	37,725	36,851

9. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$38,408,000 (2012: Company's loss attributable to shareholders of HK$25,820,000).

10. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of HK$42,540,000 (2012: Group's loss attributable to shareholders of HK$98,266,000). The basic earnings/(losses) per share is based on the weighted average number of 1,398,913,012 (2012: 1,398,913,012) shares in issue during the year.

The Company has share options outstanding for 2013 which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 3,002,626 dilutive potential ordinary shares.

Diluted losses per share for 2012 are the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

11. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31st December 2013 and 2012.

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group 2013 HK$'000	2012 HK$'000
Wages, salaries and allowance	**165,786**	143,578
Retirement benefit costs *(Note 14)*	**18,121**	15,683
Other employee benefits	**7,700**	9,639
	191,607	168,900

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	2013 Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	—	2,999	1,800	255	5,054
Mr. XIN Shulin	—	2,378	—	202	2,580
Mr. YEUNG Wai Kin	—	2,622	1,500	222	4,344
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	294	—	—	—	294
Independent non-executive directors:					
Prof. WOO Chia-Wei	294	—	—	—	294
Mr. LIU Ji	294	—	—	—	294
Mr. YU Qihao	294	—	—	—	294
Mr. ZHOU Xiaohe	294	—	—	—	294

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

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

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	2012 Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	—	2,914	—	248	3,162
Mr. XIN Shulin	—	2,378	—	202	2,580
Mr. YEUNG Wai Kin	—	2,545	—	216	2,761
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	294	—	—	—	294
Independent non-executive directors:					
Prof. WOO Chia-Wei	294	—	—	—	294
Mr. LIU Ji	294	—	—	—	294
Mr. YU Qihao	294	—	—	—	294
Mr. ZHOU Xiaohe	294	—	—	—	294

Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No directors have waived emoluments in respect of the years ended 31st December 2013 and 2012.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: two) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, allowances and benefits-in-kind	**6,192**	3,728
Discretionary bonuses	**11,758**	5,550
Retirement benefit costs	**250**	230
	18,200	9,508

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2013**	2012
2,000,001–3,000,000	**1**	1
4,000,001–5,000,000	**1**	—
7,000,001–8,000,000	**—**	1
10,000,001–11,000,000	**1**	—
	3	2

14. RETIREMENT BENEFIT COSTS — DEFINED CONTRIBUTION PLANS

The Group participates in defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

No contribution (2012: HK$48,000) of defined contribution retirement schemes in Hong Kong was forfeited during the year. There were no outstanding balance as at the balance sheet dates of 2013 and 2012 available to reduce the contributions payable in the future years.

Contributions totaling HK$240,000 (2012: HK$233,000) were payable to the retirement scheme at the year end and are included in trade and other payables.

The Group also contributes to retirement plans for its employees in the PRC and overseas. The rates of contributions are approximately ranging from 17% to 28% of basic salary from the Group for its employees in the PRC and approximately ranging from 12% to 17% of basic salary from the Group for its overseas employees.

15. INTANGIBLE ASSETS

Group	Goodwill HK$'000	Trading rights HK$'000	Total HK$'000
Cost			
At 1st January 2013	**2,104**	**400**	**2,504**
Acquisition of a subsidiary *(Note 41)*	**10,988**	**—**	**10,988**
Exchange difference	**643**	**—**	**643**
At 31st December 2013	**13,735**	**400**	**14,135**
Accumulated impairment loss			
At 1st January and 31st December 2013	**378**	**—**	**378**
Net book value			
At 31st December 2013	**13,357**	**400**	**13,757**

Group	Goodwill HK$'000	Trading rights HK$'000	Total HK$'000
Cost			
At 1st January and 31st December 2012	2,104	400	2,504
Accumulated impairment loss			
At 1st January and 31st December 2012	378	—	378
Net book value			
At 31st December 2012	1,726	400	2,126

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the property development, and property investment and hotel segments for impairment testing.

The recoverable amount of the lowest level of CGU has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures and selection of discount rates. Management determines budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The discount rate applied to cash flow projection is 10%.

16. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and Buildings		Buildings				
	Freehold outside Hong Kong HK$'000	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Vehicles, trucks and machinery HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1st January 2013	31,892	59,501	216,847	156,404	73,218	373	538,235
Acquisition of a subsidiary	150,910	—	—	553	1,537	—	153,000
Additions	41	—	—	2,213	1,727	9,249	13,230
Transfer from construction-in-progress	145	—	—	198	1,363	(1,706)	—
Disposals	—	—	—	(1,178)	(3,607)	—	(4,785)
Exchange differences	10,219	—	6,920	4,324	2,825	11	24,299
At 31st December 2013	193,207	59,501	223,767	162,514	77,063	7,927	723,979
Accumulated depreciation and impairment loss							
At 1st January 2013	3,065	10,561	25,572	73,853	33,081	373	146,505
Depreciation for the year	4,285	607	7,622	27,751	1,479	—	41,744
Disposals	—	—	—	(867)	(2,792)	—	(3,659)
Exchange differences	288	—	875	2,229	732	12	4,136
At 31st December 2013	7,638	11,168	34,069	102,966	32,500	385	188,726
Net book value							
At 31st December 2013	185,569	48,333	189,698	59,548	44,563	7,542	535,253

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

	Land and Buildings		Buildings				
	Freehold outside Hong Kong HK$'000	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Vehicles, trucks and machinery HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1st January 2012	31,052	59,501	216,779	158,416	71,102	373	537,223
Additions	204	—	110	4,336	8,031	—	12,681
Disposals	—	—	—	(6,334)	(6,396)	—	(12,730)
Exchange differences	636	—	(42)	(14)	481	—	1,061
At 31st December 2012	31,892	59,501	216,847	156,404	73,218	373	538,235
Accumulated depreciation and impairment loss							
At 1st January 2012	1,485	9,954	18,069	51,059	32,482	373	113,422
Depreciation for the year	1,514	607	7,483	28,558	5,676	—	43,838
Disposals	—	—	—	(5,839)	(5,182)	—	(11,021)
Exchange differences	66	—	20	75	105	—	266
At 31st December 2012	3,065	10,561	25,572	73,853	33,081	373	146,505
Net book value							
At 31st December 2012	28,827	48,940	191,275	82,551	40,137	—	391,730

The analysis of the cost or valuation of the above assets is as follows:

	Land and buildings		**Buildings**				
	Freehold outside Hong Kong 2013 HK$'000	**Long-term leases in Hong Kong 2013 HK$'000**	**Medium-term leases outside Hong Kong 2013 HK$'000**	**Furniture, fixtures and equipment 2013 HK$'000**	**Vehicles, trucks and machinery 2013 HK$'000**	**Construction-in-progress 2013 HK$'000**	**Total 2013 HK$'000**
At cost	**193,207**	**48,376**	**223,767**	**162,514**	**77,063**	**7,927**	**712,854**
At professional valuation — 1994	**—**	**11,125**	**—**	**—**	**—**	**—**	**11,125**
	193,207	**59,501**	**223,767**	**162,514**	**77,063**	**7,927**	**723,979**

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

	Land and buildings: Freehold outside Hong Kong 2012 HK$'000	Land and buildings: Long-term leases in Hong Kong 2012 HK$'000	Buildings: Medium-term leases outside Hong Kong 2012 HK$'000	Furniture, fixtures and equipment 2012 HK$'000	Vehicles, trucks and machinery 2012 HK$'000	Construction-in-progress 2012 HK$'000	Total 2012 HK$'000
At cost	31,892	48,376	216,847	156,404	73,218	373	527,110
At professional valuation							
— 1994	—	11,125	—	—	—	—	11,125
	31,892	59,501	216,847	156,404	73,218	373	538,235

Certain building is stated at professional valuation in 1994 less accumulated depreciation. If this building has been stated on the historical cost basis, its net book amount would be HK$7,561,000 (2012: HK$7,894,000).

(b) Company

	Motor vehicles 2013 HK$'000	Motor vehicles 2012 HK$'000
Cost		
At 1st January and 31st December	**457**	457
Accumulated depreciation		
At 1st January	**457**	404
Depreciation for the year	**—**	53
At 31st December	**457**	457
Net book value		
At 31st December	**—**	—

17. INVESTMENT PROPERTIES

	Group 2013 HK$'000	2012 HK$'000
Valuation at 1st January	**419,495**	447,570
Transfer from properties held for sale	**29,694**	44,182
Disposals	**(5,508)**	(87,497)
Fair value (losses)/gains	**(18,056)**	15,613
Exchange differences	**11,143**	(373)
Valuation at 31st December	**436,768**	419,495

The Group's interests in investment properties at valuation are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on		
— leases over 50 years	**17,300**	16,200
Outside Hong Kong, held on		
— leases between 10 to 50 years	**419,468**	403,295
	436,768	419,495

	2013 HK$'000	2012 HK$'000
Rental income recognised in consolidated income statement for investment properties	**13,347**	11,642

The recurring fair value measurements for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfer between level 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	2013 HK$'000
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other gains/(losses) — net"	**(18,056)**
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	**(18,056)**

17. INVESTMENT PROPERTIES *(continued)*

Valuation processes of the Group

The Group's investment properties were revalued at 31st December 2013 and 2012 by independent, professionally qualified valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the top management. Discussions of valuation processes and results are held between the valuation team and valuers at least once a year, in line with the Group's annual reporting dates.

At each financial year end, the finance department:

- verifies all major inputs of the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the annual valuation discussion between the top management and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movement.

Valuation techniques

Certain properties valuation was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as conditions, location, building age and etc. The most significant input into this valuation approach is price per square meter.

The other properties valuation was determined using income capitalisation approach. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The most significant unobservable inputs into this valuation approach are monthly market rent and the capitalisation rate.

There were no changes to the valuation techniques during the year.

17. INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

	Valuation technique(s)	Unobservable inputs	Range	Relationship
(a)	**PRC properties in the first tier cities**			
	Direct comparison approach	Sales price	HK$21,000–HK$47,000 per square meter	Higher fair value with higher sales price
	Income capitalisation approach	Monthly market rent	HK$97–HK$149 per square meter	Higher fair value with higher monthly market rent
		Capitalisation rate	3%–5%	Lower fair value with higher capitalisation rate
(b)	**PRC properties in the second tier cities**			
	Direct comparison approach	Sales price	HK$8,000–HK$15,000 per square meter	Higher fair value with higher sales price
	Income capitalisation approach	Monthly market rent	HK$25–HK$85 per square meter	Higher fair value with higher monthly market rent
		Capitalisation rate	3%–9%	Lower fair value with higher capitalisation rate
(c)	**HK properties**			
	Direct comparison approach	Sales price	HK$145,000–HK$161,000 per square meter	Higher fair value with higher sales price

There are inter-relationships between unobservable inputs. An increase in future rental income may be linked with higher costs.

18. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in the net book value thereof are analysed as follows:

	2013 HK$'000	2012 HK$'000
Net book value at 1st January	54,934	56,699
Amortisation for the year *(Note 6)*	(1,781)	(1,753)
Exchange differences	961	(12)
Net book value at 31st December	54,114	54,934

The Group's interests in leasehold land and land use rights are located outside Hong Kong and held on leases between 10 to 50 years.

19. INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	36,168	36,168
Loans to subsidiaries	80,000	70,000
Less: accumulated impairment losses	(18,470)	(18,469)
	97,698	87,699

The loans to subsidiaries are unsecured and denominated in Hong Kong dollar. Out of the total amount, approximately HK$70,000,000 (2012: HK$70,000,000) and HK$10,000,000 (2012: HK$Nil) are interest bearing at Hong Kong prime rate plus 1% (2012: Hong Kong prime rate plus 1%) and Hong Kong prime rate minus 1% (2012: Nil), per annum respectively. They are not repayable within the next twelve months as at the balance sheet date. The carrying value of the loans to subsidiaries approximates to its fair value as at 31st December 2013.

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries at 31st December:

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2013	Effective interest held 2012	Principal activities
Shares held directly:					
Ever Achieve Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Securities investment
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Investment holding
First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Money lending
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK$1 each	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Nominee services
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK$1 each	100%	100%	Property investment
Headmost Technology Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Investment holding
Leung Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Property investment
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A$1 each	100%	100%	Securities investment
Shun Xin Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Investment holding
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	100%	Investment holding
Yearson Properties Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Property investment
Shares held indirectly:					
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A$1 each	100%	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Securities investment
Bonvision Consultancy (Beijing) Company Limited	PRC (a)	HK$500,000	100%	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	PRC (a)	US$200,000	100%	100%	Financial consultancy

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2013	2012	Principal activities
Shares held indirectly: *(continued)*					
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
China Betung Automobile (H.K.) Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Crimson Pharmaceutical (Hong Kong) Limited	Hong Kong	1,000 ordinary shares of HK$1 each	**51%**	51%	Pharmaceutical services
Crimson Pharmaceutical (Shanghai) Company Limited	PRC (a)	US$1,400,000	**51%**	51%	Pharmaceutical services
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Excel Partner Holdings Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Pharmaceutical services
First eFinance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Internet financial service system services
First Shanghai Asset Management Limited	Hong Kong	9,000,000 ordinary shares of HK$1 each	**100%**	100%	Asset management
First Shanghai Capital Limited	Hong Kong	22,000,000 ordinary shares of HK$1 each	**100%**	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Shanghai Futures Limited	Hong Kong	19,000,000 ordinary shares of HK$1 each	**100%**	100%	Futures broking
First Shanghai Properties (Kunshan) Company Limited	PRC (b)	US$5,000,000	**70%**	70%	Property development
First Shanghai Real Estate (Holdings) Limited	Hong Kong	10 ordinary shares of HK$1 each	**100%**	100%	Investment holding
First Shanghai Resorts S.a.r.l.	Luxembourg	12,500 ordinary shares of EUR1 each	**100%**	—	Investment holding
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares of HK$1 each	**100%**	100%	Stockbroking

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2013	Effective interest held 2012	Principal activities
Shares held indirectly: *(continued)*					
First Shanghai Venture Capital Management (Shenzhen) Company Limited	PRC (a)	HK$1,000,000	**100%**	100%	Financial consultancy
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Gold S.A.S.	France	2,000,000 ordinary shares of EUR7.01 each	**100%**	—	Hotel and golf course operation
HK Landshine Real Estate Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Investment holding
Huangshan Hui Zhong Property Development Company Limited	PRC (a)	US$10,000,000	**100%**	100%	Property development
Kunshan Shi Jingying Hotel Management Company Limited	PRC (c)	RMB1,000,000	**70%**	70%	Hotel operation
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US$1 each	**100%**	100%	Property investment
Perfect Honour Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
P.H.A. Investments Pty. Limited	Australia	60,000 ordinary shares of A$2 each	**78.6%**	78.6%	Investment holding
P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A$0.5 each	**78.6%**	78.6%	Investment holding
Shanghai Fu Heng Properties Management Limited	PRC (c)	RMB500,000	**55%**	55%	Property management
Shanghai Transvision Network Application Service Company Limited	PRC (a)	US$1,800,000	**100%**	100%	Investment holding
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	PRC (b)	US$11,025,000	**62%**	62%	Container transportation and freight forwarding
Sirton Pharmaceuticals S.p.A.	Italy	300,000 ordinary shares of EUR1 each	**100%**	100%	Pharmaceutical services
Staying Power International Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
Talent Creation Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2013	2012	Principal activities
Shares held indirectly: *(continued)*					
United Asia Transport Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Wise Success Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Securities investment
Wise United Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Securities investment
Wuxi HK Landshine Real Estate Company Limited ("Wuxi Landshine")	PRC (b)	US$20,000,000	**70%**	70%	Property development
Wuxi Sunshine Hotel Company Limited	PRC (c)	RMB1,000,000	**—**	100%	Hotel operation
Wuxi Sunshine Real Estate Limited	PRC (a)	US$30,000,000	**100%**	100%	Hotel operation
Zhongshan Sunshine Resort Limited	PRC (a)	RMB80,000,000	**99.9%**	95.2%	Property development

Notes:

(a) *Subsidiaries incorporated in the PRC registered as wholly-owned foreign enterprises.*

(b) *Subsidiaries incorporated in the PRC registered as sino-foreign equity joint ventures.*

(c) *Subsidiaries incorporated in the PRC registered as limited companies.*

Material non-controlling interests

The total non-controlling interest for the year is HK$92,784,000, of which HK$60,466,000 is attributed to Wuxi Landshine. The non-controlling interests in respect of the other companies are not material.

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Summarised financial information for a subsidiary with material non-controlling interests

Set out below are the summarised financial information for Wuxi Landshine that has non-controlling interests material to the Group.

	2013 HK$'000	2012 HK$'000
Summarised income statement		
Revenue	4,742	3,500
Loss after taxation	(2,254)	(21,145)
Total comprehensive loss	(2,254)	(21,145)
Summarised balance sheet		
Assets		
Non-current assets	111,398	89,831
Current assets	273,113	284,796
	384,511	374,627
Liabilities		
Non-current liabilities	124,106	133,569
Current liabilities	58,853	43,434
	182,959	177,003
Net assets	201,552	197,624
Summarised cash flows		
Cash flows used in operating activities	(1,613)	(59,332)
Net cash from investing activities	1	46,383
Net cash from financing activities	4,777	3,787
Net increase/(decrease) in cash and cash equivalents	3,165	(9,162)
Cash and cash equivalents at 1st January	4,419	13,583
Exchange difference	138	(2)
Cash and cash equivalents at 31st December	7,722	4,419

The information above is the amount before inter-company eliminations.

20. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2013 HK$'000	2012 HK$'000
At 1st January	**241,473**	308,486
Share of associated companies' results		
— Profit/(loss) before taxation	**835**	(52,527)
— Taxation	**3,761**	(181)
Share of an associated company's reserves	**31,987**	(17,449)
Constructive obligations in share of loss of an associated company recognised in other payables	**1,784**	3,733
Exchange differences	**81**	(589)
At 31st December	**279,921**	241,473

The following is a list of the associated companies at 31st December:

Name	Place of Incorporation	Effective interest held 2013	2012	Measurement method
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	**33.25%**	33.25%	Equity
Holygene Corporation (see note (b) below)	British Virgin Islands	**54.26%**	54.26%	Equity

Notes:

(a) *China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The market value of the listed security as at 31st December 2013 was approximately HK$70,188,000 (2012: HK$87,033,000). China Assets is principally engaged in investment holding.*

(b) *Holygene Corporation is deemed to be an associated company of the Group as the Group owns less than half of the voting power of the entity. Holygene Corporation is principally engaged in pharmaceutical services.*

There are no contingent liabilities relating to the Group's interest in the associated companies.

20. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

Summarised financial information and reconciliation for a material associated company

Set out below are the summarised financial information for China Assets which is accounted for using the equity method.

	2013 **HK$'000**	2012 HK$'000
Summarised income statement		
Revenue	**41,439**	6,553
Profit/(loss) after taxation	**19,188**	(147,294)
Other comprehensive income/(loss)	**96,193**	(53,700)
Total comprehensive income/(loss)	**115,381**	(200,994)
Summarised balance sheet		
Assets		
Non-current assets	**572,392**	518,485
Current assets	**274,971**	247,014
	847,363	765,499
Liabilities		
Non-current liabilities	**693**	22,547
Current liabilities	**4,800**	16,716
	5,493	39,263
Net assets	**841,870**	726,236
Interest attributable to the Group	**279,921**	241,473

The information above reflects the amounts presented in the financial statements of the respective associated company (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associated company.

Financial information for immaterial associated companies

The carrying amount of the Group's interests in an immaterial associated company is HK$Nil (2012: HK$Nil). Set out below is the financial information for the Group's share of this associated company.

	2013 **HK$'000**	2012 HK$'000
Loss after taxation	**(1,784)**	(3,733)

21. INVESTMENTS IN JOINT VENTURES

	Group 2013 HK$'000	2012 HK$'000
At 1st January	**236,795**	240,299
Share of joint ventures' results		
— Profit before taxation	**11,559**	5,559
— Taxation	**(2,201)**	(437)
Acquisition of a joint venture	**148**	—
Dividend income	**(8,737)**	(8,580)
Exchange differences	**7,408**	(46)
At 31st December	**244,972**	236,795

The following is a list of the joint ventures at 31st December:

Name	Place of incorporation/ establishment and operation	Effective interest in ownership/ voting power/ profit sharing 2013	2012	Measurement method
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") (see note (a) below)	PRC	**50%**	50%	Equity
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") (see note (b) below)	PRC	**50%**	50%	Equity
Injenerics S.r.l. ("Injenerics") (see note (c) below)	Italy	**50%**	—	Equity

Notes:

(a) Goodbaby Bairuikang was established as an equity joint venture in the PRC in December 1997 for a term of 50 years. It is principally engaged in manufacturing of child hygienic products.

(b) Zhangjiang was established as an equity joint venture in the PRC in October 2002 for a term of 50 years. It is principally engaged in property development.

(c) Injenerics is principally engaged in pharmaceutical services.

Goodbaby Bairuikang, Zhangjiang and Injenerics are private companies and there are no quoted market price available for their shares.

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

21. INVESTMENTS IN JOINT VENTURES *(continued)*

Summarised financial information and reconciliation for a material joint venture

Set out below are the summarised financial information for Zhangjiang which is accounted for using the equity method.

	2013 HK$'000	2012 HK$'000
Summarised income statement		
Revenue	**26,200**	25,804
Depreciation and amortisation	**71**	70
Interest income	**99**	96
Income tax	**3,732**	582
Profit after taxation	**16,744**	7,083
Total comprehensive income	**16,744**	7,083
Dividends received from a joint venture	**8,737**	8,580
Summarised balance sheet		
Assets		
Non-current assets	**501,653**	488,568
Cash and cash equivalents	**18,631**	6,314
Other current assets	**28,553**	28,295
Total current assets	**47,184**	34,609
	548,837	523,177
Liabilities		
Non-current liabilities	**85,544**	83,533
Current liabilities	**56,884**	44,853
	142,428	128,386
Net assets	**406,409**	394,791
Interest attributable to the Group	**203,204**	197,396

The information above reflects the amounts presented in the financial statements of the respective joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

21. INVESTMENTS IN JOINT VENTURES *(continued)*

Financial information for immaterial joint ventures

The carrying amount of the Group's interests in the immaterial joint ventures is HK$41,768,000 (2012: HK$39,399,000). Set out below are the financial information for the Group's share of these joint ventures.

	2013 **HK$'000**	2012 HK$'000
Profit after taxation	**986**	1,580
Total comprehensive income	**986**	1,580

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
At 1st January	**126,890**	96,763	**125,290**	95,165
Fair value change transfer to other comprehensive income	**16,014**	30,125	**16,014**	30,125
Impairment loss	**—**	(11)	**—**	—
Exchange differences	**28**	13	**—**	—
At 31st December	**142,932**	126,890	**141,304**	125,290

	Group		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Listed securities				
— Equity securities, Overseas	**971**	971	**—**	—
Unlisted securities				
— Equity securities	**141,304**	125,290	**141,304**	125,290
— Equity securities, Overseas	**657**	629	**—**	—
	142,932	126,890	**141,304**	125,290
Market value of listed securities	**971**	971	**—**	—

The fair value of unlisted securities is determined by reference to published price quotations in an active market of the underlying investments held by the investee.

23. LOANS AND ADVANCES

	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Loans and advances *(note (a))*	**67,452**	73,929	**63,446**	63,521
Provision for impairment	**(56,596)**	(56,475)	**(52,590)**	(52,590)
	10,856	17,454	**10,856**	10,931
Less: non-current portion	**(10,856)**	(10,931)	**(10,856)**	(10,931)
Current portion	**—**	6,523	**—**	—
Margin loans *(note (b))*	**538,806**	488,281	**—**	—
	538,806	494,804	**—**	—

Notes:

(a) *The carrying value of loans and advances approximates to their fair value.*

The movements in the provision for impairment of loans and advances are as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
At 1st January	**56,475**	78,238
Written off	**—**	(21,762)
Exchange differences	**121**	(1)
At 31st December	**56,596**	56,475

The carrying amounts of loans and advances are denominated in the following currencies:

	Group 2013 HK$'000	Group 2012 HK$'000
Hong Kong dollars	**10,856**	10,931
Renminbi	**—**	6,523
	10,856	17,454

(b) *Margin loans to third parties are secured by the underlying pledged securities and are repayable on demand. The carrying values of margin loans approximate to their fair values. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.*

24. PROPERTIES UNDER DEVELOPMENT

	Group 2013 HK$'000	2012 HK$'000
Leasehold land and land use rights	**178,506**	171,313
Construction costs	**68,318**	51,517
	246,824	222,830

The Group's interests in leasehold land and land use rights outside Hong Kong at cost are held on leases between 10 to 50 years.

25. INVENTORIES

	Group 2013 HK$'000	2012 HK$'000
Raw materials	**5,194**	4,751
Work-in-progress	**1,388**	1,807
Finished goods	**1,823**	937
	8,405	7,495

26. TRADE RECEIVABLES

	Group 2013 HK$'000	2012 HK$'000
Due from stockbrokers and clearing houses	**73,169**	15,991
Due from stockbroking clients	**150,045**	114,476
Trade receivables	**35,413**	29,551
Bills receivable	**229**	3,616
	258,856	163,634
Provision for impairment	**(16,814)**	(16,120)
	242,042	147,514

All trade receivables are either repayable within one year or on demand. The fair value of the Group's trade receivables is approximately the same as the carrying value.

26. TRADE RECEIVABLES *(continued)*

The settlement terms of trade receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

The ageing analysis of the trade receivables based on invoice date is as follows:

	Group 2013 HK$'000	2012 HK$'000
0–30 days	**234,254**	138,646
31–60 days	**4,182**	7,003
61–90 days	**2,865**	1,547
Over 90 days	**741**	318
	242,042	147,514

The movements in the provision for impairment of trade receivables are as follows:

	Group 2013 HK$'000	2012 HK$'000
At 1st January	**16,120**	17,279
Provision for impairment/(write back of provision) during the year *(Note 6)*	**196**	(302)
Receivables written off	**(1)**	(855)
Exchange differences	**499**	(2)
At 31st December	**16,814**	16,120

The carrying amounts of trade receivables are denominated in the following currencies:

	Group 2013 HK$'000	2012 HK$'000
Hong Kong dollars	**200,925**	121,731
Renminbi	**1,334**	1,345
US dollars	**24,423**	12,962
Euro	**15,360**	11,476
	242,042	147,514

The maximum credit risk exposure is the amount shown on the consolidated balance sheet.

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**29,940**	23,372	**8**	6
Prepayments and deposits	**37,813**	18,683	**635**	636
	67,753	42,055	**643**	642

Other receivables, prepayments and deposits are either repayable within one year or on demand. Accordingly, the fair values of the Group's and the Company's other receivables, prepayments and deposits are approximately the same as the carrying values.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	**1,854,437**	1,760,738
Provision for impairment	**(330,995)**	(318,238)
	1,523,442	1,442,500

The amounts due from subsidiaries are unsecured and repayable on demand. Out of the total amount, approximately HK$201,132,000 (2012: HK$201,253,000) is interest bearing at Hong Kong prime rate minus 2.5% (2012: Hong Kong prime rate minus 2.5%) per annum. The remaining balances are interest free. Out of the total amount, approximately HK$1,482,060,000 (2012: HK$1,419,349,000) and HK$41,382,000 (2012: HK$23,151,000) are denominated in Hong Kong dollars and Renminbi, respectively.

The movements in the provision for impairment on amounts due from subsidiaries are as follows:

	Company	
	2013	2012
	HK$'000	HK$'000
At 1st January	**318,238**	302,578
Provision for impairment during the year	**12,757**	27,006
Disposal	**—**	(11,346)
At 31st December	**330,995**	318,238

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	HK$'000
Equity securities		
— Listed, Hong Kong	**68,891**	56,723
— Listed, Overseas	**8,809**	9,331
— Quoted, Hong Kong	**—**	159,454
Market value of financial assets	**77,700**	225,508
Unlisted securities	**5,050**	10,183
	82,750	235,691

Financial assets at fair value through profit or loss are presented within the section of operating activities as part of changes in working capital in the consolidated statement of cash flows *(Note 38)*.

The fair value of all quoted securities is determined by reference to current bid prices in an active market.

30. DEPOSITS WITH BANKS

	Group	
	2013	2012
	HK$'000	HK$'000
Non-pledged	**3,032**	2,847

The carrying amounts of the deposits with banks are denominated in Renminbi.

As at 31st December 2013, deposits of HK$3,032,000 (2012: HK$2,847,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

31. CASH AND CASH EQUIVALENTS AND CLIENT TRUST BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**151,920**	135,968	**4,939**	5,022
Short-term bank deposits				
— pledged *(Note 33)*	**15,000**	15,000	**10,000**	10,000
— non-pledged	**151,697**	175,700	**—**	—
Total cash and cash equivalents	**318,617**	326,668	**14,939**	15,022
Client trust bank balances	**1,400,313**	1,300,485	**—**	—
	1,718,930	1,627,153	**14,939**	15,022

31. CASH AND CASH EQUIVALENTS AND CLIENT TRUST BANK BALANCES

(continued)

The carrying amounts of cash and cash equivalents and client trust bank balances are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**1,387,999**	1,279,814	**14,893**	14,885
Renminbi	**196,161**	240,833	**—**	—
US dollars	**112,777**	86,702	**46**	137
Australian dollars	**15,781**	17,194	**—**	—
Euro	**6,212**	2,610	**—**	—
	1,718,930	1,627,153	**14,939**	15,022

Bank balances of HK$154,142,000 (2012: HK$169,950,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated balance sheet, the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

32. TRADE AND OTHER PAYABLES

	Group 2013 HK$'000	Group 2012 HK$'000
Due to stockbrokers and dealers	**9,282**	53,662
Due to stockbroking clients	**1,530,571**	1,361,263
Trade payables	**28,889**	41,768
Total trade payables	**1,568,742**	1,456,693
Advance receipts from customers	**14,984**	2,855
Accruals and other payables	**109,649**	85,808
	1,693,375	1,545,356

	Company 2013 HK$'000	Company 2012 HK$'000
Accruals and other payables	**7,910**	5,687

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the Group's and Company's trade and other payables are approximately the same as the carrying values.

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$1,400,313,000 (2012: HK$1,300,485,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients placed in trust and segregated accounts with authorised institutions which bear interest at the rate with reference to the bank deposit savings rate.

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

32. TRADE AND OTHER PAYABLES *(continued)*

The ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0–30 days	10,342	7,734
31–60 days	4,644	4,396
61–90 days	4,475	4,563
Over 90 days	9,428	25,075
	28,889	41,768

The carrying amounts of the trade and other payables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollars	1,536,048	1,434,668	7,910	5,687
Renminbi	77,698	70,918	—	—
US dollars	57,721	17,127	—	—
Australian dollars	362	352	—	—
Euro	21,546	22,289	—	—
Others	—	2	—	—
	1,693,375	1,545,356	7,910	5,687

33. BORROWINGS

	Group	
	2013	2012
	HK$'000	HK$'000
Non-current		
Bank loans — secured	307,441	338,187
Current		
Other loans — unsecured	—	3,700
Bank loans — secured	82,976	11,099
	82,976	14,799
	390,417	352,986

33. BORROWINGS *(continued)*

The Group's borrowings were repayable as follows:

	Group			
	Bank loans		Other loans	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**82,976**	11,099	**—**	3,700
Between 1 and 2 years	**21,622**	30,832	**—**	—
Between 2 and 5 years	**184,068**	171,696	**—**	—
Over 5 years	**101,751**	135,659	**—**	—
At 31st December	**390,417**	349,286	**—**	3,700

The Group has pledged properties of HK$220 million (2012: HK$222 million), investment properties of HK$211 million (2012: HK$188 million), leasehold land and land use rights of HK$43 million (2012: HK$44 million), properties under development of HK$28 million (2012: HK$27 million), properties held for sale of HK$174 million (2012: HK$184 million) and fixed deposits of approximately HK$15 million (2012: HK$15 million) to secure bank borrowings.

Bank borrowings are either repayable on demand or will mature and be repayable in April 2014 to June 2021 and bear floating interest rates. The weighted average effective interest rate at 31st December 2013 was 5.55% (2012: 6.74%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK$72,000,000 (2012: HK$Nil) and HK$318,417,000 (2012: HK$352,986,000) are denominated in Hong Kong dollars and Renminbi, respectively.

34. RETIREMENT BENEFIT OBLIGATIONS

The Italian retirement benefit, TFR, is an unfunded plan, and the fair value was determined by projecting the benefit, accruing under Italian law at the end of each balance sheet date, to the future date when the employment relationship will be terminated, which was then discounted at the balance sheet date using the projected unit credit method. This defined benefit plan is valued by an independent national registered actuary in Italy.

The movements in the defined benefit obligation over the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**7,751**	7,485
Interest cost	**182**	254
Experience losses	**37**	929
Benefits paid	**(91)**	(1,050)
Exchange differences	**342**	133
At 31st December	**8,221**	7,751

34. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

The amounts recognised in the consolidated income statement are as follows:

	Group 2013 HK$'000	2012 HK$'000
Interest cost	**182**	254

The principal actuarial assumptions used are as follows:

	Group 2013	2012
Discount rate	**2.57%**	2.33%
Expected future pension increase	**0%–2.25%**	0%–2.25%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4%	Increase by 4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognised within the consolidated balance sheet.

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

(a) Inflation risk

The Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).

(b) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increase in life expectancy will result in an increase in plan's liabilities.

34. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

Expected contributions to defined benefit plan for the year ended 31st December 2014 are HK$211,000.

The weighted average duration of the defined benefit obligation is 24 years.

Expected maturity analysis of undiscounted pension:

	Group 2013 HK$'000
Over five years	**8,221**

The retirement benefit obligation was determined based on an independent appraisal which considered demographic, economic and financial evidence and assumptions. The technical basis for the computation was based on an historical analysis of the data. For the demographic assumptions, variables such as mortality, early retirement and resignation, dismissal, expiry of employment contract, advance payment on leaving indemnities and supplementary pension schemes were considered. Economic and financial assumptions were made based on variables such as inflation and discount rates.

The Group recognised actuarial losses amounted to HK$37,000 (2012: HK$929,000) for the year ended 31st December 2013 in other comprehensive income. The cumulative amount of actuarial losses recognised by the Group directly in other comprehensive income amounted to HK$1,344,000 (2012: HK$1,307,000) as at 31st December 2013.

35. SHARE CAPITAL

	Ordinary shares of HK$0.2 each			
	2013		2012	
	Number of shares (thousands)	**HK$'000**	Number of shares (thousands)	HK$'000
Authorised:				
At 1st January and 31st December	**2,000,000**	**400,000**	2,000,000	400,000
Issued and fully paid:				
At 1st January and 31st December	**1,398,913**	**279,783**	1,398,913	279,783

Note:

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares of the Company.

No share options were exercised under the Scheme approved by the shareholders of the Company during the years ended 31st December 2013 and 2012.

35. SHARE CAPITAL *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013 Average exercise price per share HK$	2013 Number of options (thousands)	2012 Average exercise price per share HK$	2012 Number of options (thousands)
At 1st January	1.454	51,568	1.452	51,718
Lapsed	—	—	0.68	(150)
At 31st December	1.454	51,568	1.454	51,568
Options exercisable at 31st December		51,568		51,568

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of options 2013 (thousands)	2012 (thousands)
11th December 2015	0.564	11,810	11,810
2nd March 2016	0.680	7,250	7,250
22nd May 2017	1.950	32,508	32,508
		51,568	51,568

36. RESERVES

	Attributable to shareholders of the Company								
Group	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2013	849,536	40,458	216,107	14,006	12,334	125,290	128,123	863,910	2,249,764
Profit for the year	—	—	—	—	—	—	—	42,540	42,540
Actuarial losses on retirement benefit obligations	—	—	—	—	—	—	—	(27)	(27)
Fair value gain on available-for-sale financial assets	—	—	—	—	—	16,014	—	—	16,014
Capital reserve realised upon disposal of subsidiaries	—	—	(290)	—	—	—	—	—	(290)
Currency translation differences	—	—	—	—	—	—	34,607	—	34,607
Share of post-acquisition reserves of an associated company	—	—	31,987	—	—	—	—	—	31,987
Total comprehensive income	—	—	31,697	—	—	16,014	34,607	42,513	124,831
Transfer from retained earnings	—	—	85	—	—	—	—	(85)	—
Changes in ownership interests in subsidiary without change of control	—	—	373	—	—	—	—	—	373
	—	—	458	—	—	—	—	(85)	373
At 31st December 2013	849,536	40,458	248,262	14,006	12,334	141,304	162,730	906,338	2,374,968

36. RESERVES *(continued)*

Group	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
	Attributable to shareholders of the Company								
At 1st January 2012	849,536	40,500	233,332	14,006	12,334	95,165	128,090	963,032	2,335,995
Loss for the year	—	—	—	—	—	—	—	(98,266)	(98,266)
Fair value gain on available-for-sale financial assets	—	—	—	—	—	30,125	—	—	30,125
Actuarial losses on retirement benefit obligations	—	—	—	—	—	—	—	(674)	(674)
Currency translation differences	—	—	—	—	—	—	33	—	33
Share of post-acquisition reserves of an associated company	—	—	(17,449)	—	—	—	—	—	(17,449)
Total comprehensive loss	—	—	(17,449)	—	—	30,125	33	(98,940)	(86,231)
Transfer from retained earnings	—	—	224	—	—	—	—	(224)	—
Transfer of reserve upon lapse of share options	—	(42)	—	—	—	—	—	42	—
	—	(42)	224	—	—	—	—	(182)	—
At 31st December 2012	849,536	40,458	216,107	14,006	12,334	125,290	128,123	863,910	2,249,764

Note: Included in capital reserve an amount of HK$11,570,000 (2012: HK$11,485,000) which represents PRC statutory reserve.

Company	**Share premium HK$'000**	**Employee share-based compensation reserve HK$'000**	**Capital reserve HK$'000**	**Capital redemption reserve HK$'000**	**Investment revaluation reserve HK$'000**	**Retained earnings HK$'000**	**Total HK$'000**
At 1st January 2013	**849,536**	**40,458**	**2,104**	**14,006**	**125,290**	**332,545**	**1,363,939**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**38,408**	**38,408**
Fair value gain on available-for-sale financial assets	**—**	**—**	**—**	**—**	**16,014**	**—**	**16,014**
At 31st December 2013	**849,536**	**40,458**	**2,104**	**14,006**	**141,304**	**370,953**	**1,418,361**

Company	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2012	849,536	40,500	2,104	14,006	95,165	358,323	1,359,634
Loss for the year	—	—	—	—	—	(25,820)	(25,820)
Fair value gain on available-for-sale financial assets	—	—	—	—	30,125	—	30,125
Transfer of reserve upon lapse of share options	—	(42)	—	—	—	42	—
At 31st December 2012	849,536	40,458	2,104	14,006	125,290	332,545	1,363,939

37. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts, not to be recovered within twelve months, are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Deferred tax assets	**(15,184)**	(15,682)
Deferred tax liabilities	**69,008**	65,432
	53,824	49,750

The gross movements in the deferred taxation are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**49,750**	67,720
Recognised in the consolidated income statement *(Note 8(a))*	**(9,195)**	(17,582)
Deferred tax on actuarial losses	**(10)**	(255)
Acquisition of a subsidiary *(Note 41)*	**10,988**	—
Exchange differences	**2,291**	(133)
At 31st December	**53,824**	49,750

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

The Group's deferred tax liabilities represented the followings:

	Depreciation HK$'000	**Fair value gains HK$'000**	**Withholding tax HK$'000**	**Total HK$'000**
At 1st January 2013	**597**	**59,591**	**5,244**	**65,432**
Acquisition of a subsidiary *(Note 41)*	**—**	**10,988**	**—**	**10,988**
Recognised in the consolidated income statement	**(68)**	**(9,364)**	**(568)**	**(10,000)**
Exchange differences	**—**	**2,424**	**164**	**2,588**
At 31st December 2013	**529**	**63,639**	**4,840**	**69,008**

	Depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2012	735	77,015	4,013	81,763
Recognised in the consolidated income statement	(138)	(17,352)	1,231	(16,259)
Exchange differences	—	(72)	—	(72)
At 31st December 2012	597	59,591	5,244	65,432

37. DEFERRED TAXATION *(continued)*

The Group's deferred tax assets represented the followings:

	Retirement benefit obligations HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January 2013	**472**	**13,698**	**1,512**	**15,682**
Recognised in the consolidated income statement	**—**	**(1,144)**	**339**	**(805)**
Recognised in the consolidated statement of comprehensive income	**10**	**—**	**—**	**10**
Exchange differences	**20**	**196**	**81**	**297**
At 31st December 2013	**502**	**12,750**	**1,932**	**15,184**

	Retirement benefit obligations HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January 2012	212	12,203	1,628	14,043
Recognised in the consolidated income statement	—	1,469	(146)	1,323
Recognised in the consolidated statement of comprehensive income	255	—	—	255
Exchange differences	5	26	30	61
At 31st December 2012	472	13,698	1,512	15,682

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred tax benefits of approximately HK$65,336,000 (2012: HK$62,120,000) in respect of tax losses amounting to approximately HK$395,977,000 (2012: HK$376,482,000) that can be carried forward indefinitely against future taxable income.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities

	2013 HK$'000	2012 HK$'000
Profit/(loss) before taxation	**46,452**	(108,496)
Share of net (profits)/losses of associated companies	**(4,596)**	52,708
Share of net profits of joint ventures	**(9,358)**	(5,122)
Finance income	**(15,715)**	(19,770)
Finance costs	**16,953**	23,364
Gain on disposal of interests in subsidiaries	**(290)**	—
Net gain on disposal of property, plant and equipment	**(980)**	(942)
Depreciation	**41,744**	43,838
Net loss on disposal of investment properties	**505**	40,443
Fair value losses/(gains) on investment properties	**18,056**	(15,613)
Amortisation of leasehold land and land use rights	**1,781**	1,753
Provision/(reversal) for doubtful debts	**196**	(302)
Provision/(reversal) for obsolete stock	**324**	(549)
Gain on disposal of an available-for-sale financial asset	**—**	(70)
Impairment of an available-for-sale financial asset	**—**	11
Written back of other loan	**(3,700)**	—
Operating profit before working capital changes	**91,372**	11,253
Net increase in properties under development and properties held for sale	**(744)**	(67,665)
Increase in inventories	**(798)**	(1,445)
Increase in loans and advances	**(50,525)**	(61,006)
Increase in trade receivables	**(94,228)**	(77,017)
Increase in other receivables, prepayments and deposits	**(25,008)**	(13,442)
Decrease in financial assets at fair value through profit or loss	**152,941**	37,581
Increase in trade and other payables	**46,604**	69,784
Decrease in retirement benefit obligations	**(91)**	(1,050)
Net cash inflow/(outflow) from operating activities	**119,523**	(103,007)

39. CONTINGENT LIABILITIES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note)*	**1,018**	2,110	**—**	—
Guarantee for undrawn bank facilities of a subsidiary	**—**	—	**60,000**	60,000
	1,018	2,110	**60,000**	60,000

Note: The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

40. COMMITMENTS

(a) Capital commitments for property, plant and equipment, leasehold land and land use rights and properties under development:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**471,122**	336,974
Authorised but not contracted	**804,073**	570,619

The Company does not have any material capital commitments.

(b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Not later than one year	**14,871**	16,184
Later than one year but not later than five years	**15,088**	15,226
More than five years	**4,008**	5,036
	33,967	36,446

40. COMMITMENTS *(continued)*

(b) Commitments under operating leases *(continued)*

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Not later than one year	**9,256**	9,075
Later than one year but not later than five years	**4,571**	8,158
	13,827	17,233

The Company does not have any material commitments under operating leases.

41. BUSINESS COMBINATIONS

On 27th June 2013, the Group acquired 100% equity interest of Gold S.A.S. ("Gold"), which owns a country club and resort and operates a 18-hole golf course in France, at a cash consideration of EUR15 million.

As a result of the acquisition, the Group started its hotel and golf operation in Europe. The goodwill of HK$10,988,000 arising from the acquisition is attributable to the expected appreciation of the land value. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Gold, and fair value of the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Total purchase consideration — cash	**151,699**

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK$'000
Property, plant and equipment	**153,000**
Inventories	**436**
Trade receivables	**496**
Other receivables, prepayments and deposits	**486**
Cash and cash equivalents	**2,562**
Trade and other payables	**(5,281)**
Deferred tax liabilities *(Note 37)*	**(10,988)**
Total identifiable net assets	**140,711**
Goodwill *(Note 15)*	**10,988**
	151,699

41. BUSINESS COMBINATIONS *(continued)*

	HK$'000
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	151,699
— Cash and cash equivalents in subsidiary acquired	(2,562)
Cash outflow on acquisition	149,137

Acquisition-related costs of HK$10,182,000 have been charged to selling, general and administrative expenses in the consolidated income statement for the year ended 31st December 2013.

The fair value of trade receivables is the same as the gross contractual amount to be received.

The revenue included in the consolidated income statement since acquisition contributed by Gold was HK$7,387,000. It also contributed loss of HK$4,557,000 over the same period.

Had Gold been consolidated from 1st January 2013, the consolidated income statement would show pro-forma revenue of HK$467,126,000 and profit of HK$37,656,000.

42. RELATED PARTY TRANSACTIONS

Details of the key management compensation has been disclosed in Note 13.

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including foreign exchange risk, interest rate risk and price risk). The Group has in place controls to manage these risks to an acceptable level without affecting its business. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management function focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management of the Group is carried out by the credit committee and finance department of the Group. The top management and the credit committee approve the Group's financial risk management policies. Credit committee and finance department undertake both regular and ad hoc reviews of risk management controls and procedures which are reported to the top management.

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.1 Financial risk factors *(continued)*

(a) *Credit risk analysis*

Credit risk is managed on a group basis. The Group's credit risk mainly arises from loans and receivables, deposits with banks, client trust bank balances and cash and cash equivalents.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class and category of financial assets mentioned above. The Group has put in place policies to ensure that sales of products and services and sales of properties are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers. The directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

The Group's cash at bank, bank deposits and client trust bank balances are placed with reputable banks. There were no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions. Management does not expect any of these institutions to fail to meets its obligations.

The following analysis shows the credit quality of the Group's loans and receivables that are exposed to credit risk:

	Loans and advances — long term 2013 HK$'000	Loans and advances — short term 2013 HK$'000	Trade receivables 2013 HK$'000	Other receivables 2013 HK$'000
Gross amount				
— neither past due nor impaired	—	538,806	235,271	29,940
— past due but not impaired				
— less than three months	—	—	5,828	—
— between three to six months	—	—	54	—
— over six months	—	—	746	—
— impaired	63,446	4,006	16,957	8,222
	63,446	542,812	258,856	38,162

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.1 Financial risk factors *(continued)*

(a) *Credit risk analysis* *(continued)*

	Loans and advances — long term 2012 HK$'000	Loans and advances — short term 2012 HK$'000	Trade receivables 2012 HK$'000	Other receivables 2012 HK$'000
Gross amount				
— neither past due nor impaired	—	494,804	127,182	23,372
— past due but not impaired				
— less than three months	—	—	19,898	—
— between three to six months	—	—	36	—
— over six months	—	—	282	—
— impaired	63,521	3,885	16,236	7,973
	63,521	498,689	163,634	31,345

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are mainly listed securities, the majority of which are listed in Hong Kong. The total market value of securities amounted to HK$3,316 million (2012: HK$2,548 million) and margin loans receivable amounted to HK$539 million (2012: HK$488 million).

The maximum exposure to credit risk before collateral held or other credit enhancements approximates to the carrying value.

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, and trade and other receivables are neither past due nor impaired as at 31st December 2013 and 2012.

The following analysis shows the credit quality of the Company's loans and receivables that are exposed to credit risk:

	Other receivables 2013 HK$'000	**Loans and advances 2013 HK$'000**	**Loans to subsidiaries 2013 HK$'000**	**Amounts due from subsidiaries 2013 HK$'000**
Gross amount				
— neither past due nor impaired	**8**	**—**	**80,000**	**1,523,442**
— impaired	**—**	**63,446**	**—**	**330,995**
	8	**63,446**	**80,000**	**1,854,437**

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.1 Financial risk factors *(continued)*

(a) *Credit risk analysis (continued)*

	Other receivables 2012 HK$'000	Loans and advances 2012 HK$'000	Loan to a subsidiary 2012 HK$'000	Amounts due from subsidiaries 2012 HK$'000
Gross amount				
— neither past due nor impaired	6	—	70,000	1,442,500
— impaired	—	63,521	—	318,238
	6	63,521	70,000	1,760,738

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, other receivables, and loans to and amounts due from subsidiaries are neither past due nor impaired as at 31st December 2013 and 2012.

None of the financial assets that are fully performing has been renegotiated in 2013 and 2012.

(b) *Liquidity risk analysis*

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities by choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK$151,920,000 (2012: HK$135,968,000) that are expected to readily generate cash inflows for managing liquidity risk.

The following analysis shows the Group's contractual maturity of non-derivative financial liabilities:

	Less than one year 2013 HK$'000	**More than one year 2013 HK$'000**
Borrowings		
Current bank loans — secured	**82,976**	**—**
Non-current bank loans — secured	**—**	**307,441**
Trade and other payables	**1,658,106**	**—**
Financial guarantee contracts	**1,018**	**—**
	1,742,100	**307,441**

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.1 Financial risk factors *(continued)*

(b) Liquidity risk analysis *(continued)*

	Less than one year 2012 HK$'000	More than one year 2012 HK$'000
Borrowings		
Current other loans — unsecured	3,700	—
Current bank loans — secured	11,099	—
Non-current bank loans — secured	—	338,187
Trade and other payables	1,524,617	—
Financial guarantee contracts	2,110	—
	1,541,526	338,187

The Company's contractual trade and other payables and financial guarantee contracts amounting to HK$1,576,000 (2012: HK$2,295,000) and HK$60,000,000 (2012: HK$60,000,000) respectively will mature within one year.

The amounts disclosed above are the contractual undiscounted cash flows.

(c) Market risk analysis — foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollars and Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollars and Renminbi basis. No significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future. The Group does not use any derivative financial instruments to hedge its foreign exchange risk.

At 31st December 2013, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax profit for the year would have been HK$2,796,000 higher/lower (2012: post-tax loss would have been HK$3,567,000 lower/higher), mainly as a result of foreign exchange gain on translation of Renminbi-denominated bank deposits. There is no significant impact on equity as most of the available-for-sale securities are denominated in Hong Kong dollars.

In determining the percentage of the currency fluctuation, the Group has considered the economic environments in which it operates.

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.1 Financial risk factors *(continued)*

(d) *Market risk analysis — interest rate risk*

The Group's significant interest-bearing assets are margin loans, cash at bank and bank deposits, and client trust bank balances, where the interest rate is low in the current environment.

The Group is also exposed to changes in interest rates which arises from its bank loans and amounts due to stockbroking clients. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's practice is to maintain a reasonable balance between variable and fixed rate borrowings. The Group has not used any derivatives to hedge its exposure to interest rate risk.

The Company's income and operating cash flows are substantially independent of changes in market interest rates as the interest rate is low in the current environment and the Company has no significant interest-bearing assets, other than loans to subsidiaries, amounts due from subsidiaries, cash at bank and bank deposits. The Company has not used any derivatives to hedge its exposure to interest rate risk.

At 31st December 2013, if interest rates on the Group's margin loans, cash at bank, bank deposits and bank loans had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$4,700,000 higher/lower (2012: post-tax loss would have been HK$4,685,000 lower/higher). There is no impact on equity.

At 31st December 2013, if interest rates on the Company's loans to subsidiaries, amounts due from subsidiaries, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, the Company's post-tax profit for the year would have been HK$3,668,000 higher/lower (2012: post-tax loss would have been HK$3,499,000 lower/higher). There is no impact on equity.

(e) *Market risk analysis — price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investments for trading purpose are mainly publicly traded or quoted in Hong Kong, the PRC and America. The Group's equity investments classified as available-for-sale are mainly unlisted securities which the fair values were determined by reference to published price quotations in an active market of the underlying investments held by the investee.

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.1 Financial risk factors *(continued)*

(e) Market risk analysis — price risk *(continued)*

The Group's equity exposures are mainly in long-term equity investments, which are reported as "available-for-sale financial assets" set out in Note 22 to the consolidated financial statements. Equities held for trading purpose are included under "financial assets at fair value through profit or loss" set out in Note 29 to the consolidated financial statements.

At 31st December 2013, if the listed price, quoted price or fair value of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/depreciated by 10%, with all other variables held constant, post-tax profit for the year would have been HK$8,275,000 higher/lower (2012: post-tax loss would have been HK$23,569,000 lower/higher), mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through profit or loss. Equity would have been HK$14,228,000 (2012: HK$12,626,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.

43.2 Capital risk management

The Group's objectives when managing capital are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirement at all times. The Group recognises the impact on shareholders' returns of the level of equity capital employed within the Group and seeks to maintain a balance between the returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Capital of the Group for regulatory and capital management purpose includes share capital, share premium, retained earnings, other reserves and subordinated liabilities. Capital is allocated to various business activities of the Group depending on the risk taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total debts divided by total shareholders' funds. The Group also monitors capital base of its subsidiaries to ensure compliance with relevant regulatory capital requirements of SFO. Management strives to maintain an optimal capital structure so as to achieve the Group's capital risk management objective as stated above. To achieve this, the Group may adjust the amount of dividend payout and other relevant factors.

The gearing ratios at 31st December 2013 and 2012 are as follows:

	2013 **HK$'000**	2012 HK$'000
Total borrowings *(Note 33)*	**390,417**	352,986
Total equity	**2,747,535**	2,620,940
Gearing ratio	**14.2%**	13.5%

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.3 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 31st December 2013. See Note 17 for disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss				
— listed securities	**77,700**	**—**	**—**	**77,700**
— unlisted securities	**—**	**—**	**5,050**	**5,050**
Available-for-sale financial assets				
— listed securities	**971**	**—**	**—**	**971**
— unlisted securities	**—**	**141,304**	**657**	**141,961**
	78,671	**141,304**	**5,707**	**225,682**

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— listed securities	66,054	—	—	66,054
— unlisted, quoted securities	159,454	—	—	159,454
— unlisted securities	—	—	10,183	10,183
Available-for-sale financial assets				
— listed securities	971	—	—	971
— unlisted securities	—	125,290	629	125,919
	226,479	125,290	10,812	362,581

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.3 Fair value estimation *(continued)*

(a) *Financial instruments in level 1*

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

(b) *Financial instruments in level 2*

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

(c) *Financial instruments in level 3*

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

43. FINANCIAL RISK MANAGEMENT *(continued)*

43.3 Fair value estimation *(continued)*

(c) Financial instruments in level 3 *(continued)*

The following table presents the changes in level 3 instruments for the years ended 31st December 2013 and 2012.

	Unlisted securities	
	2013	2012
	HK$'000	HK$'000
Opening balance	**10,812**	28,417
Impairment loss	**—**	(11)
Disposal	**(5,133)**	—
Fair value losses	**—**	(17,607)
Exchange differences	**28**	13
Closing balance	**5,707**	10,812
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other gains/(losses) — net"	**12,048**	—
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Revenue"	**—**	(17,607)
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Selling, general and administrative expenses"	**—**	(11)

44. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board on 21st March 2014.