SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

2013

ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors:

Lim Kia Hong
(Chairman and Chief Executive Officer)
Lim Kiah Meng *(Vice-chairman)*
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Ong Wui Leng
Ma Shiu Sun, Michael

SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

604 Eastern Harbour Centre
28 Hoi Chak Street
Quarry Bay
Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

www.sisinternational.com.hk
enquiry@sis.com.hk

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Norton Rose

PRINCIPAL BANKERS

DBS Bank Ltd
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
OCBC Bank
Standard Chartered Bank (Hong Kong) Ltd.
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

Company Profile

Founded in 1983, **SiS** is a leading Technology Product Distribution and Investment holding company listed on the main board of the Hong Kong Stock Exchange. Its principal business interests include Mobile & IT Products Distribution, Investments in Promising Businesses as well as Investments in Real Estate.

SIS MOBILE & IT DISTRIBUTION

SiS is one of the largest distributors for mobile & IT products in Asia with offices and distribution channels spanning across Asia including Hong Kong, Singapore, Thailand, Indonesia, Philippines... **SiS** has one of the largest reseller networks and markets its products through a vast network of IT resellers, retailers, mobile operators and mobile phone resellers. Over the past decades, **SiS** has introduced many of the technology companies from USA and have successfully help them in building a strong channel and many of these companies become a household brand in Asia. **SiS** is a pioneer in the distribution for IT, software, network, smart phones products and has earned its reputation as the Preferred Distributor by many of the world's renowned manufacturers including IBM, Microsoft, Lenovo, Samsung, RIM – Blackberry, HTC, Apple, Asus, Linksys, D-Link, etc.

SIS INVESTMENTS

SiS invests in promising businesses & IT companies which have synergies or where the investments, experience and management involvement can play a part in growing these companies. Over the years, many of the **SiS** investments have successfully become public listed companies.

SIS REAL ESTATE

SiS Real Estate Portfolio includes investments in selected properties consisting of hotel, commercial, industrial and residential properties in Hong Kong, Singapore and Japan.

Company Profile

SIS CHALLENGE

Progress of mankind will not take place,
Advancement of technology will not arrive,
The betterment of human life will not be attainable,
Unless one dares to challenge the unchallengeable,
Unless one dares to challenge the impossible,
Only then does the unreal become real
And the best gets even better.

At **SiS**, every step forward is an achievement,
Every peak scaled is a conquest,
And every challenge faced is a triumph.
We continually challenge ourselves to find
better ways to service our customers, to provide
innovative products,
And above all, to be the best company ever.

SIS VISION

Every challenge need a vision. The personal computer industry was created by people who had a vision and turned it into a challenge. From Steve Jobs, the founder of Apple Computers, who took on the challenge of the mainframe with PCs to Bill Gates, the founder of Microsoft, who envisions the day when there will be a computer on every desk and in every home. **SiS** was founded in 1983 on this same Shared Vision.

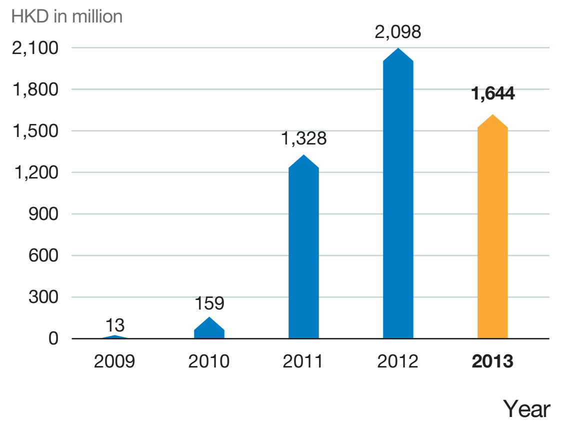
The advancement of Technology would be futile unless one can bring it to the target user. The **SiS** Mission is to bring Technology closer to you. Innovation of Products will be redundant unless it can work for you. The **SiS** Mission is to help you and let Technology work for you. Improving the Quality of Life and products require constant communications between the creator, the manufacturer and the user. **SiS**'s Position is to be that link. Our Market is the Asia Pacific region, the world's fastest growing region.

Our objective is to become a leader in the distribution of mobile and IT products by bringing the best returns on the investments for our shareholders; achieving maximum market share for our principals; giving the best value for our customers' investments; and the best company for our staff.

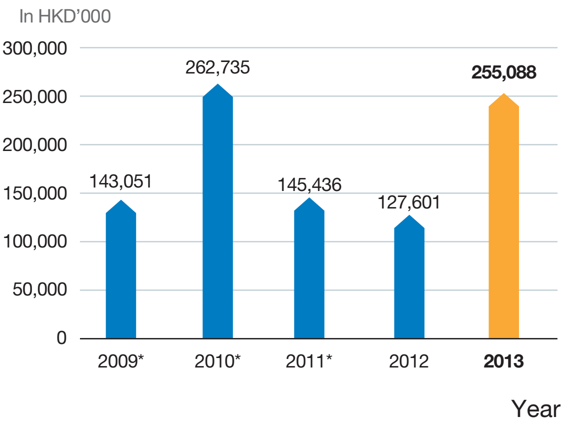
Every challenge has been a triumph, and every triumph brings with it an even greater challenge. **SiS** will continue to expand its vision for the betterment of human life and to be the best company ever.

Financial Highlights

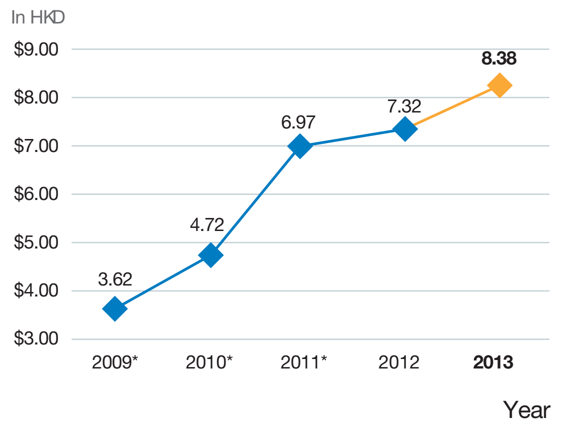
Revenue From Continuing Operations



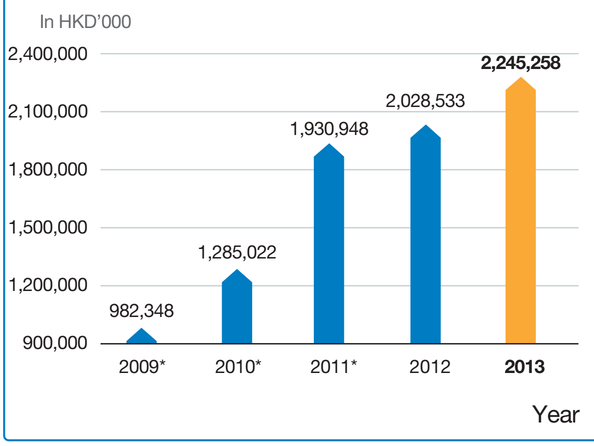
Net Profit From Continuing Operations



Net Asset Value Per Share



Shareholders' Equity



* *Figures are restated.*

Message from the Chairman and CEO

Dear Shareholders

I am pleased to present to our shareholders results of the Group for the year ended 31 December 2013. Sales revenue for the year ended 31 December 2013 for the Group decreased to HK$1,644 million from HK$2,098 million while the gross profit increased to HK$136,742,000 from HK$129,762,000. Total net profit for the year increased to HK$255,088,000 from HK$159,343,000. Net assets value per share increased from HK$7.32 to HK$8.38.

BUSINESS REVIEW

Distribution

Year 2013 marked a clear transformation from the PC Era to the Mobile Era. Any transformation poses challenges & opportunities; many well established IT and mobile vendors have fallen into difficult times during this period. On the other hand, opportunities arise and leaders emerge during challenging times. With our experience in both IT & mobile products distribution, the Group is well positioned to explore opportunities in the converged world in the coming years. The Group aims to emerge as the leader in the distribution of the converged IT and Mobility products as we continue to move cautiously ahead to expand our distribution business. With our rich heritage in distribution and robust financial position, the Group will continue to seek and explore distribution opportunities when they present as we continue on our diversification, and transformation of our distribution business.

Amid this challenging backdrop and transformation, revenues from mobile & IT products distribution and distribution management services decreased 28% from HK$2,078 million to HK$1,506 million and the segment profits decreased 16% from HK$76 million to HK$64 million as compared to previous year.

Investment in IT Business

Our associated company, SiS Distribution (Thailand) Public Company Limited forged ahead and turned in a commendable performance for the year ended 31 December 2013 despite experiencing various economic and political challenges in Thailand. The contributed profit was HK$34 million as compared with last period's loss of HK$76 million.

Bangladesh is an emerging country with a vast population. The Group has identified that mobile payment and financial services will grow rapidly as the economy of the country grows. In March 2013, The Group acquired an additional 14.1% interest in Information Technology Consultants Limited ("ITCL"), a then associate of the Group. ITCL is the largest provider of payment switch and gateway in the provision of financial services and mobile banking solutions to banks and telcos in Bangladesh.

With this acquisition, the Group now owns 43.6% interest in ITCL. The accounts of ITCL had been consolidated as a subsidiary of the Group. This long term investment and acquisition had begun to contribute directly to the net results of the Group. The Group recorded a deemed disposal loss of an associate of HK$9 million in the year 2013 with the additional acquisition of shares and consolidation of ITCL as subsidiary.

Real Estate Investments Business

Our property investment did well for the year 2013. In December 2012, the Group completed the acquisition of the iconic Sky Scrapper Rinku Gate Tower Building in Osaka, currently ranked the third tallest building in Japan. Riding on the momentum of Japan economic recovery and the associated business potential with Japan hosting Olympics in 2020, the Group acquired additional trust beneficial interests in five hotel properties located in five major cities in Japan at end of October 2013. These properties are Toyoko Inn Naha Asahi-bashi Ekimae, Toyoko Inn Kanazawa Kenrokuen Korinbo, Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1, Toyoko Inn Niigata Furumachi and Toyoko Inn Tokushima Ekimae.

One of the Group's transformation strategies is the investment in income generating properties with potential long term appreciation in property value. After the acquisition, the Group's real estate investment portfolio contributed an increase in revenue from HK$20 million to HK$138 million, while the segmental profit increased from HK$115 million to HK$260 million. Total carrying value of the Group's investment properties amounted to HK$1,846 million as at 31 December 2013.

PROSPECT

Successful transformation will take time, resilience, efforts and focus.

Since our founding in 1983, the Group has remained resilient and is constantly evolving, transforming to stay relevant. SiS Group is transforming and scaling new heights. The Group will continue in its journey of transformation for long term success.

The Group is excited about the future and the opportunities ahead. With its strong financial strength, the Group remains focused, with the collective strength of its management team to maximizing shareholders value with Determination to succeed, Commitment to outstanding Execution and business Excellence.

Message from the Chairman and CEO

FINAL DIVIDEND

To reward loyal shareholders, the directors recommend a final dividend of 5.0 HK cents per share (the "Final Dividend") and a special dividend of 3.0 HK cents per share (the "Special Dividend") payable to shareholders on the register of members on 3 July 2014 and 10 October 2014 respectively. Subject to the approval of the shareholders at the forthcoming annual general meeting, the Final Dividend and Special Dividend will be payable in cash on 23 July 2014 and 23 October 2014 respectively.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. Our success would not have been possible without their dedication, contributions, efforts, time and confidence.

On behalf of the Board

LIM Kia Hong
Chairman & Chief Executive Officer

Hong Kong, 26 March 2014

Financial Discussion and Analysis

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2013, the Group had total assets of HK$3,334,635,000 which were financed by total equity of HK$2,321,372,000 and total liabilities of HK$1,013,263,000. The Group had a current ratio of approximately 1.7 compared to that of approximately 2.2 at 31 December 2012.

As at year end 2013 the Group had HK$785,781,000 (2012: HK$751,198,000) bank balances and cash of which HK$444,035,000 (2012: HK$341,189,000) was pledged to banks to secure bank loans. The Group's working capital requirements were mainly financed by internal resources and bank loans. As at 31 December 2013, the Group had short term loans, bank overdrafts and bills payable of total HK$479,859,000 (2012: HK$302,107,000) and long term loans and bonds of HK$282,617,000 (2012: Nil). The borrowings were mainly denominated in Japanese Yen, Hong Kong Dollar and Bangladesh Taka and were charged by banks at floating interest rates.

The Group continued to sustain a good liquidity position. At the end of December 2013, the Group had a net cash surplus (bank balances and cash, including pledged deposits less bank loans, bank overdrafts, bonds and bills payable) of HK$23,305,000 compared to HK$449,091,000 as at 31 December 2012.

Gearing ratio, as defined by total bank loans, overdrafts, bonds and bills payable to total equity as at 31 December 2013 was 33% (2012: 15%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK$444,035,000 (2012: HK$341,189,000) and investment properties with carrying value of HK$1,293,279,000 (2012: HK$643,000,000) were pledged to secure bank loans and general banking facilities granted to the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

The number of staff of the Group as at 31 December 2013 was 302 (2012: 62) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK$31,724,000 (2012: HK$24,091,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2013, no share options have been granted, exercised, lapsed or forfeited. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Financial Discussion and Analysis

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 31 December 2013, the Group had outstanding forward contracts of notional amount HK$78,000,000 (2012: Nil) which were measured at fair value at the reporting date.

Contingent Liabilities

The Company's corporate guarantees extended to a bank as security for banking facilities to the Group amounted to HK$189,480,000 (2012: HK$70,980,000).

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material deviations from the Code are explained in the report below.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the "INED"), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director are set out on page 17 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has more than twenty years experience in corporate banking, corporate finance and management.

The INEDs Mr. Lee Hiok Chuan and Ms. Ong Wui Leng are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management.

As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group.

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall made recommendation to the Board whenever they consider appropriate. During the year 2013, the Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporation governance of the Company and manage the operations of the Group.

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	–	C	M
Mr. Lim Kiah Meng	–	M	M
Mr. Lee Hiok Chuan	M	M	M
Ms. Ong Wui Leng	C	M	C
Mr. Ma Shiu Sun, Michael	M	M	M

Notes:
C - Chairman of the relevant Committee
M - Member of the relevant Committee

AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Ong Wui Leng was appointed as the Chairman.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2013 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong as the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A meeting was held during the year ended 2013 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ong Wui Leng as Chairman from 27 March 2012 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2013, and the members had reviewed the remuneration policy and determined remuneration of Directors.

DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 27 and 28.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the Group had engaged external auditors to provide the following services.

	Service fee
	HK$'000
Audit services	1,220
Tax advisory	21
Other services	685
	1,926

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2013:

	General Meeting	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meetings during the year	(1)	(7)	(4)	(1)	(1)
Executive Directors					
Lim Kia Hong	1	7	N/A	1	1
Lim Kiah Meng	1	7	N/A	1	1
Lim Hwee Hai	1	7	N/A	N/A	N/A
Lim Hwee Noi	1	7	N/A	N/A	N/A
Independent Non-Executive Directors					
Lee Hiok Chuan	1	7	4	1	1
Ong Wui Leng	1	7	4	1	1
Ma Shiu Sun, Michael	1	7	4	1	1

INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the internal control system periodically and enhance the system when necessary. The Company has internal audit functions. The internal auditors reviewed the internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct a review of the effectiveness of the system of the internal control of the Group during the year. The Directors considered that the internal control systems effective and adequate.

COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2013.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2013 was the annual general meeting held on 31 May 2013 at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2012; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, a special general meeting shall be convened on the written requisition of any two or more shareholders holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than a period which is the longer of fourteen days and ten clear business days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

604 Eastern Harbour Centre
28 Hoi Chak Street
Quarry Bay
Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company (www.sisinternational.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 57, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the Group's key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange of Hong Kong. He is responsible for the corporate planning, development and public relation of the Group. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2013.

LIM Kiah Meng, aged 61, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, joined the Group in 1986. He has over twenty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Japan, Singapore and the PRC. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2013.

LIM Hwee Hai, aged 64, the spouse of Madam Lim Hwee Noi, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Malaysia, Thailand and the Asia-Pacific region. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2013.

LIM Hwee Noi, aged 63, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. She is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 79, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

ONG Wui Leng, aged 53, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia.

MA Shiu Sun, **Michael**, aged 45, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner in a Hong Kong law firm in the areas of commercial and corporate matters.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries, associates and joint venture are set out in notes 41, 18 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 29.

The directors now recommend the payment of final and special dividend of 5.0 HK cents and 3.0 HK cents per share to the shareholders on the register of members on 3 July 2014 and 10 October 2014 respectively, amounting to totally HK$22,163,000. The distributable reserves of the Company available for distribution after the proposed dividend becomes HK$1,180,451,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 100. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$503,536,000 and HK$18,701,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK$223,111,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2013 are set out on pages 101 and 102.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 14 and 15 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2013 were as follows:

	2013 HK$'000	2012 HK$'000
Contributed surplus	**29,186**	29,186
Investment reserve	**(579)**	5,469
Retained profits	**1,174,007**	1,210,125
	1,202,614	1,244,780

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Independent non-executive directors:

Mr. Lee Hiok Chuan
Ms. Ong Wui Leng
Mr. Ma Shiu Sun, Michael

In accordance with the provisions of the Company's Bye-Laws, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael retire from office and, being eligible, offer themselves for re-election.

The term of office of Mr. Lee Hiok Chuan and Ms. Ong Wui Leng, as the independent non-executive directors are the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws. Mr. Ma Shiu Sun, Michael, is appointed as an independent non-executive director for a period of two years to 1 February 2016 and is also subject to the retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31 December 2013, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of HK$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests *(Note 1)*	Corporate interests *(Note 2)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong *(Note 4)*	5,771,108	608,000	–	178,640,000	185,019,108	66.79%
Lim Kiah Meng *(Note 4)*	5,403,200	650,000	534,000	178,640,000	185,227,200	66.86%
Lim Hwee Hai *(Note 3)*	3,331,200	3,579,158	–	–	6,910,358	2.49%
Lim Hwee Noi *(Note 3, 4)*	3,579,158	3,331,200	–	–	6,910,358	2.49%
Lee Hiok Chuan	83,333	–	–	–	83,333	0.03%
Ong Wui Leng	83,333	–	–	–	83,333	0.03%

Notes:

(1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(3) 3,331,200 shares and 3,579,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

(4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 608,000 shares on behalf of six beneficiaries aged below 18. Out of these 608,000 shares, 400,000 shares and 208,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

(iii) Long positions in the shares and underlying shares of associated corporations of the Company

Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS Thailand"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal Interests	Corporate interests *(Note)*	Total number of issued ordinary shares held in SiS Thailand	Approximate% of issued share capital of SiS Thailand
Lim Kia Hong	241,875	165,616,595	165,858,470	47.36%
Lim Hwee Hai	244,687	–	244,687	0.07%

Note:
The Company indirectly holds 165,616,595 ordinary shares of the issued capital of SiS Thailand. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.79% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thailand under the SFO.

(iv) Long positions in the shares and underlying shares of a subsidiary of the Company

Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh.

Name of Director	Corporate interest *(Note)*	Approximate % of issued share capital of ITCL
Lim Kiah Meng	40,059,390	53.41%

Note:
A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 7,350,000 ordinary shares in ITCL, while the Company indirectly holds 32,709,390 ordinary shares. As disclosed in (i) above, Mr. Lim and his family has total interest of 66.86% in the Company, therefore Mr. Lim has deemed corporate interest of 32,709,390 in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2013.

SHARE OPTIONS

A new share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21 May 2007 by the Company to replace the then existing share option scheme for the primary purpose of providing incentives and awards to directors and eligible employees and persons, and will expire on 20 May 2017. Under the Scheme, the Company may grant options to qualified persons, including employees and directors of the Company and its subsidiaries and associates and third parties with a view to maintain business relationship with such persons, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within ten business days from the offer letter together with a payment of HK$10 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options during the year:

Date of grant	Vesting period	Exercisable period	Exercise price *HK$*	Outstanding number of share options at 1.1.2013 and 31.12.2013
Directors and their associates:				
Lee Hiok Chuan				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	83,333
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334
Ong Wui Leng				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	83,333
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334
Total directors and their associates				333,334

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding number of share options at 1.1.2013 and 31.12.2013
Employees and other qualified persons:				
20.8.2007	21.8.2007 – 18.2.2008	18.2.2008 – 20.5.2017	1.72	133,332
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	233,334
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	233,334
Total employees and other qualified persons				600,000
Total number of share options				933,334

No share options were granted, exercised, forfeited or expired during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

The following transactions were entered into by the Group during the year ended 31 December 2013:

	HK$'000
Operating lease rentals paid to:	
Ever Rich Technology Limited ("Ever Rich") *(Note a)*	708
Disposal of motor vehicle to:	
Qool Investment Pte. Ltd. ("Qool Investment") *(Note b)*	642

Notes:

a. Mr. Lim Kiah Meng and his spouse own 50%, and Mr. Lim Kia Hong owns 30% of the issued share capital of Ever Rich at 31 December 2013.

b. Mr. Lim Kiah Meng is the sole director and shareholder of Qool Investment at 31 December 2013.

The above two transactions are regarded as De minimis transactions pursuant to Chapter 14A.33 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and exempted from announcement.

In the opinion of those independent non-executive directors not having an interest in the above transactions, the transactions with the above-mentioned companies were carried out in the usual course of business of the Group and on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Shareholder	Personal interests	Family interests *(Note 1)*	Corporate interests *(Note 2)*	Other interests *(Note 3)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	13,050,000	–	14,970,000	5.40%
Lim Mee Hwa	1,220,000	700,000	13,050,000	–	14,970,000	5.40%
Yeoman Capital Management Pte. Ltd.	–	–	300,000	12,750,000	13,050,000	4.71%

Notes:

(1) *Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.*

(2) *Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in Yeoman Capital Management Pte. Ltd.*

(3) *Yeoman Capital Management Pte. Ltd. holds the shares of the Company as an investment manager.*

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 30% by value of the Group's total goods sales during the year, with the largest customer accounted for 12%. The five largest suppliers of the Group comprised approximately 94% by value of the Group's total purchases during the year, with the largest supplier accounted for 73%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in September 2005.

The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK$2,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

LIM Kiah Meng
DIRECTOR

Hong Kong, 26 March 2014

Deloitte.
德勤

TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 99, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Continuing operations			
Revenue	5	**1,643,902**	2,098,168
Cost of sales		**(1,507,160)**	(1,968,406)
Gross profit		**136,742**	129,762
Other income		**17,355**	7,545
Other gains and losses	6	**(33,728)**	40,881
Distribution costs		**(28,346)**	(22,454)
Administrative expenses		**(68,100)**	(48,965)
Gain from changes in fair value of investment properties		**223,111**	99,458
Share of results of associates		**34,232**	(74,835)
Share of result of joint venture		**(7,661)**	(851)
Finance costs		**(7,371)**	(475)
Profit before taxation		**266,234**	130,066
Income tax expense	7	**(11,146)**	(2,465)
Profit for the year from continuing operations	8	**255,088**	127,601
Discontinued operations	9		
Gain on disposal of subsidiaries constituting discontinued operations		**–**	31,742
Profit for the year		**255,088**	159,343
Profit for the year attributable to:			
Owners of the Company		**254,368**	159,343
Non-controlling interests		**720**	–
		255,088	159,343
		HK Cents	*HK Cents*
Earnings per share	13		
From continuing and discontinued operations			
Basic		**91.8**	57.5
Diluted		**91.7**	57.4
From continuing operations			
Basic		**91.8**	46.1
Diluted		**91.7**	46.0
From discontinued operations			
Basic		**N/A**	11.4
Diluted		**N/A**	11.4

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**255,088**	159,343
Other comprehensive income (expense):		
Items that may be reclassified to profit or loss		
Gain from changes in fair value of available-for-sale investments	**4,095**	669
Reclassification of cumulative fair value gain attributable to disposal of available-for-sale investments to profit or loss	**–**	(27,893)
Exchange realignment arising on translation of foreign operations	**(4,197)**	21
Exchange realignment arising on translation of associates and joint venture	**(13,510)**	4,230
Other comprehensive expense for the year	**(13,612)**	(22,973)
Total comprehensive income for the year attributable to:		
Owners of the Company	**238,888**	136,370
Non-controlling interests	**2,588**	–
	241,476	136,370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	14	**1,845,752**	1,212,458
Property, plant and equipment	15	**68,077**	23,572
Goodwill	16	**11,509**	–
Intangible assets	17	**47,836**	–
Interests in associates	18	**152,838**	141,239
Interest in joint venture	19	**–**	9,043
Available-for-sale investments	20	**99,214**	87,163
Deferred tax assets	29	**–**	272
		2,225,226	1,473,747
Current assets			
Inventories		**131,427**	76,119
Trade and other receivables, deposits and prepayments	21	**173,343**	194,214
Derivative financial instruments	26	**7,690**	–
Tax recoverable		**71**	136
Investments held-for-trading	22	**11,097**	10,876
Pledged deposits	23	**444,035**	341,189
Bank balances and cash	23	**341,746**	410,009
		1,109,409	1,032,543
Assets classified as held for sale	24	**–**	2,367
		1,109,409	1,034,910
Current liabilities			
Trade payables, other payables and accruals	25	**140,126**	144,157
Bills payable		**–**	5,107
Tax payable		**23,723**	33,860
Bank loans	27	**447,269**	297,000
Bank overdrafts	23	**32,590**	–
		643,708	480,124
Net current assets		**465,701**	554,786
Total assets less current liabilities		**2,690,927**	2,028,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Bank loans	27	**209,802**	–
Bonds	28	**72,815**	–
Deferred tax liabilities	29	**14,740**	–
Rental deposits	30	**72,198**	–
		369,555	–
Net assets		**2,321,372**	2,028,533
Capital and reserves			
Share capital	31	**27,703**	27,703
Share premium		**71,367**	71,367
Reserves		**32,151**	47,631
Retained profits		**2,114,037**	1,881,832
Equity attributable to owners of the Company		**2,245,258**	2,028,533
Non-controlling interests		**76,114**	–
Total equity		**2,321,372**	2,028,533

The consolidated financial statements on pages 29 to 99 were approved and authorised for issue by the Board of Directors on 26 March 2014 and are signed on its behalf by:

LIM Kia Hong
DIRECTOR

LIM Kiah Meng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 (Remark)	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	27,703	71,367	47,273	19,016	933	2,860	522	1,761,274	1,930,948	–	1,930,948
Profit for the year	–	–	–	–	–	–	–	159,343	159,343	–	159,343
Other comprehensive (expense) income for the year	–	–	(27,224)	4,251	–	–	–	–	(22,973)	–	(22,973)
Total comprehensive (expense) income for the year	–	–	(27,224)	4,251	–	–	–	159,343	136,370	–	136,370
Dividend recognised as distribution *(note 12)*	–	–	–	–	–	–	–	(38,785)	(38,785)	–	(38,785)
At 31 December 2012	**27,703**	**71,367**	**20,049**	**23,267**	**933**	**2,860**	**522**	**1,881,832**	**2,028,533**	**–**	**2,028,533**
Profit for the year	–	–	–	–	–	–	–	254,368	254,368	720	255,088
Other comprehensive income (expense) for the year	–	–	4,095	(19,575)	–	–	–	–	(15,480)	1,868	(13,612)
Total comprehensive income (expense) for the year	–	–	4,095	(19,575)	–	–	–	254,368	238,888	2,588	241,476
Non-controlling interests arising on acquisition of a subsidiary *(note 35)*	–	–	–	–	–	–	–	–	–	73,526	73,526
Dividend recognised as distribution *(note 12)*	–	–	–	–	–	–	–	(22,163)	(22,163)	–	(22,163)
At 31 December 2013	**27,703**	**71,367**	**24,144**	**3,692**	**933**	**2,860**	**522**	**2,114,037**	**2,245,258**	**76,114**	**2,321,372**

Remark: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	**266,234**	130,066
Adjustments for:		
Allowance for doubtful debts	**648**	495
Allowance for inventories	**351**	3,306
Amortisation of intangible assets	**4,332**	–
Dividend income from available-for-sale investments	**(1,830)**	(1,313)
Depreciation of property, plant and equipment	**5,625**	1,586
Finance costs	**7,371**	475
Gain from changes in fair value of derivative financial instruments	**(7,718)**	(4,374)
Gain on disposal of available-for-sale investments	**–**	(27,893)
Loss (gain) from changes in fair value of investments held-for-trading	**111**	(3,961)
Impairment loss on interest in joint venture	**–**	9,043
Gain from changes in fair value of investment properties	**(223,111)**	(99,458)
Interest income	**(4,975)**	(2,743)
Loss on disposal of property, plant and equipment	**31**	32
Loss on deemed disposal of an associate	**10,130**	73
Share of results of associates	**(34,232)**	74,835
Share of result of joint venture	**7,661**	851
Unrealised exchange difference	**–**	(11,316)
Operating cash flows before movements in working capital	**30,628**	69,704
(Increase) decrease in inventories	**(52,175)**	73,867
Decrease (increase) in trade and other receivables, deposits and prepayments	**173,379**	(21,973)
(Increase) decrease in investments held-for-trading	**(332)**	45,022
Decrease in trade payables, other payables and accruals	**(12,703)**	(44,369)
(Decrease) increase in bills payable	**(5,107)**	5,107
Cash from operations	**133,690**	127,358
Hong Kong Profits Tax paid	**(6,365)**	(2,992)
Overseas Tax paid	**(102)**	(3,530)
Interest paid	**(7,371)**	(475)
Net cash from operating activities	**119,852**	120,361

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Investing activities			
Acquisition of investment properties		**(503,536)**	(278,036)
Acquisition of a subsidiary	*35*	**(3,180)**	–
Dividend received from associates		**–**	3,741
Dividend received from available-for-sale investments		**1,830**	1,313
Interest received		**4,975**	2,743
Additional investments in an associate		**(46,078)**	–
Placement of pledged deposits		**(87,222)**	(341,189)
Proceeds from disposal of available-for-sale investments		**–**	30,984
Purchase of available-for-sale investments		**(7,956)**	(9,711)
Purchase of intangible assets		**(2,315)**	–
Purchase of property, plant and equipment		**(18,701)**	(3,771)
Proceeds from disposal of assets classified as held for sale		**2,367**	–
Proceeds from disposal of subsidiaries	*9*	**–**	31,742
Proceeds from disposal of property, plant and equipment		**636**	–
Net settlement on maturity of derivative financial instruments		**28**	(1,055)
Net cash used in investing activities		**(659,152)**	(563,239)
Financing activities			
Dividends paid		**(22,163)**	(38,785)
Increase in bank overdrafts		**9,107**	–
Proceeds from issue of bonds		**72,792**	–
New bank loans raised		**588,372**	487,000
Repayment of bank loans		**(175,148)**	(190,000)
Net cash from financing activities		**472,960**	258,215
Net decrease in cash and cash equivalents		**(66,340)**	(184,663)
Cash and cash equivalents at 1 January		**410,009**	585,398
Effect of foreign exchange rate changes		**(1,923)**	9,274
Cash and cash equivalents at 31 December, represented by bank balances and cash		**341,746**	410,009

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company controlled by the executive directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong Dollar, which is also the functional currency of the Company.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

During the current year, the Group acquired additional 14.1% of ownership interest in Information Technology Consultants Ltd ("ITCL") incorporated in the People's Republic of Bangladesh, and the Group's shareholding of ITCL increased to 43.6%. The directors of the Company made an assessment as at the date of acquisition of the 14.1% of ownership interest in ITCL (i.e. 7 March 2013) as to whether or not the Group has control over ITCL in accordance with the new definition of control and the related guidance set out in HKFRS 10. After taking into account of the overall equity interest of ITCL owned by the Group and its related parties, the directors of the Company concluded that control over ITCL is achieved upon the acquisition of the 14.1% of ownership interest in ITCL in the current year on the basis of the Group's ability to direct the relevant activities of ITCL by controlling the majority of the board of directors of ITCL.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

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

Impact of the application of HKFRS 11

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investment in a joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group's interest in the joint arrangement, which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014*
[2] *Effective for annual periods beginning on or after 1 July 2014*
[3] *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*
[4] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*
[5] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the investments classified under available-for-sale. It is not practicable to estimate the effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Where a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

Amounts due from lessees under finance leases where the Group is a lessor are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases where the Group is the lessor is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment, including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

Intangible assets

Internally-generated intangible assets

Expenditure on research items, if any, is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise investments held-for-trading and derivative financial instruments.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of a portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated of profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or are not classified as any other categories of financial assets.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held-for-trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held-for-trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss (continued)

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables and bank loans) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

On the disposal of a foreign operation (including 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 associate 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 addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, 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 (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the distribution of certain brands of mobile and IT products and property investment. No operating segments identified by the chief decision makers have been aggregated in arriving at the reportable segments of the Group. Segment liabilities have not been presented as these are not reportable to the chief operating decision makers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the year from continuing operations:

	For the year ended 31 December 2013		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	**1,505,565**	**138,337**	**1,643,902**
Segment profit	**64,032**	**260,103**	**324,135**
Loss from changes in fair value of investments held-for-trading			**(111)**
Income from investments held-for-trading and available-for-sale investments			**2,464**
Loss on deemed disposal of associates			**(10,130)**
Share of results of associates			**34,232**
Share of result of joint venture			**(7,661)**
Finance costs			**(7,371)**
Other unallocated income			**4,975**
Unallocated corporate expenses			**(74,299)**
Profit before taxation			**266,234**

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	For the year ended 31 December 2012		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	2,077,687	20,481	2,098,168
Segment profit	76,108	115,277	191,385
Gain from changes in fair value of investments held-for-trading			3,961
Income from investments held-for-trading and available-for-sale investments			31,649
Impairment loss on interest in joint venture			(9,043)
Loss on deemed disposal of an associate			(73)
Share of results of associates			(74,835)
Share of result of joint venture			(851)
Finance costs			(475)
Other unallocated income			14,828
Unallocated corporate expenses			(26,480)
Profit before taxation			130,066

The accounting policies adopted in preparing the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, share of results of associates and joint venture, loss on deemed disposal of associates, investment income and finance costs.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	At 31 December 2013		
	Distribution of mobile and IT products	**Property investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**397,397**	**1,886,926**	**2,284,323**
Interests in associates			**152,838**
Unallocated corporate assets			**897,474**
Consolidated total assets			**3,334,635**

	At 31 December 2012		
	Distribution of mobile and IT products	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	174,797	1,329,979	1,504,776
Interests in associates			141,239
Interest in joint venture			9,043
Unallocated corporate assets			853,599
Consolidated total assets			2,508,657

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank deposits and unallocated corporate assets, interests in associates and joint venture, available-for-sale investments, and investments held-for-trading.

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2013			
	Distribution of mobile and IT products *HK$'000*	**Property investment** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Capital additions	**18,005**	**504,232**	**–**	**522,237**
Allowance for doubtful debts	**629**	**–**	**19**	**648**
Allowance for inventories	**351**	**–**	**–**	**351**
Depreciation and amortisation	**8,923**	**817**	**217**	**9,957**
Gain from changes in fair value of investment properties	**–**	**223,111**	**–**	**223,111**

	For the year ended 31 December 2012			
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions	3,371	278,436	–	281,807
Allowance for doubtful debts	449	–	46	495
Allowance for inventories	3,306	–	–	3,306
Depreciation	661	708	217	1,586
Gain from changes in fair value of investment properties	–	99,458	–	99,458

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

Majority of the Group's revenue from continuing operations from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Singapore, Malaysia, Japan and Bangladesh).

Information about the Group's revenue from continuing operations by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,307,179**	1,427,229	**983,907**	943,756
Singapore	**172,412**	666,400	**47,610**	48,350
Malaysia	**–**	1,075	**–**	24
Japan	**119,911**	3,464	**837,065**	243,900
Bangladesh	**44,400**	–	**104,592**	–
	1,643,902	2,098,168	**1,973,174**	1,236,030

Non-current assets excluded financial instruments, deferred tax assets, interests in associates and joint venture.

Major customer information

Revenue from customers contributing over 10% of the total revenue of the Group is from one (2012: two) customer with total amount of HK$199,125,000 (2012: HK$596,899,000) in relation to the segment of distribution of mobile and IT products.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties leased for the year. An analysis of the Group's revenue for the year is as follows:

	2013	2012
	HK$000	*HK$000*
Distribution of mobile and IT products	**1,505,565**	2,077,687
Leasing of investment properties	**138,337**	20,481
	1,643,902	2,098,168

6. OTHER GAINS AND LOSSES

	2013 HK$000	2012 HK$000
(Loss) gain from changes in fair value of investments held-for-trading	(111)	3,961
Exchange (loss) gain, net	(31,174)	13,801
Gain from changes in fair value of derivative financial instruments	7,718	4,374
Impairment loss on interest in joint venture	–	(9,043)
Gain on disposal of available-for-sale investments	–	27,893
Loss on disposal of property, plant and equipment	(31)	(32)
Loss on deemed disposal of associates	(10,130)	(73)
	(33,728)	40,881

7. INCOME TAX EXPENSE

	2013 HK$000	2012 HK$000
Current tax:		
Hong Kong	3,338	5,110
Overseas	1,934	3,297
	5,272	8,407
Overprovision in prior years		
Hong Kong	(215)	–
Overseas	(8,995)	–
	(3,938)	–
Deferred taxation *(note 29)*	15,084	(5,942)
	11,146	2,465

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

7. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year from continuing operations can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2013	2012
	HK$000	*HK$000*
Profit before taxation	**266,234**	130,066
Tax at the domestic income tax rate of 16.5% *(note)*	**43,929**	21,461
Tax effect of share of results of associates	**(5,648)**	12,348
Tax effect of share of result of joint venture	**1,264**	140
Tax effect of expenses not deductible for tax purpose	**24,296**	9,552
Tax effect of income not taxable for tax purpose	**(58,032)**	(36,916)
Tax effect of tax losses/deductible temporary differences not recognised	**1,195**	4,976
Overprovision in prior years	**(9,210)**	–
Utilisation of tax losses/deductible temporary differences previously not recognised	**(2,209)**	(567)
Effect of different tax rates of subsidiaries	**611**	90
Withholding tax on share of result of subsidiaries and an associate	**15,084**	(9,204)
Others	**(134)**	585
Income tax expense	**11,146**	2,465

Note:
Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.

Following the disposal of subsidiaries on 3 January 2011, a final assessment was issued by an overseas tax authority and concluded that no income tax is to be levied on certain sales transactions. Accordingly, the provision for income tax and other related expenses amounted HK$8,705,000 and HK$7,444,000 respectively, were reversed during the current year.

8. PROFIT FOR THE YEAR

	2013 HK$000	2012 HK$000
Profit for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration	**1,561**	1,385
Allowance for doubtful debts	**648**	495
Amortisation of intangible assets	**4,332**	–
Cost of inventories recognised as an expense *(note a)*	**1,405,768**	1,963,733
Depreciation of property, plant and equipment	**5,625**	1,586
Staff costs *(note b)*	**52,850**	45,467
Interest on bank loans, overdrafts and bonds		
– wholly repayable within 5 years	**6,092**	475
– not wholly repayable within 5 years	**1,279**	–
Operating lease rentals in respect of rented premises	**5,996**	1,710
and after crediting:		
Gross rental income from investment properties	**138,337**	20,481
Less: Direct operating expenses	**(101,391)**	(4,674)
Net rental income	**36,946**	15,807
Interest on bank deposits	**4,975**	2,743
Share of tax credit of associates (included in share of results of associates)	**3,896**	2,399
Dividend income from investments held-for-trading	**634**	2,443
Dividend income from available-for-sale investments	**1,830**	1,313
Reversal of overprovision for tax related expenses	**7,444**	–

Notes:

(a) Cost of inventories includes allowance for inventories of HK$351,000 (2012: HK$3,306,000).

(b) Staff costs include emoluments to directors as set out in note 10. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK$1,598,000 (2012: HK$1,396,000).

9. DISCONTINUED OPERATIONS

Gain on disposal of subsidiaries constituting discontinued operations for the year ended 31 December 2012 represented the gain on adjustment to the consideration for disposal of subsidiaries.

The Group completed its disposal of its entire interests in SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn Bhd (the "Disposal Group") on 3 January 2011 on which date the Group ceased control over the Disposal Group. The total consideration was about US$123,593,000 (equivalent to HK$964,025,000) comprising cash of US$70,000,000 (equivalent to HK$546,000,000) and balance cash payment equivalent to the net asset value of the Disposal Group ("Net Asset Value Payment"), as defined in the disposal agreement. The Net Asset Value Payment was subject to adjustment on the value of certain assets and liabilities of the Disposal Group, if their realisable values were different from the carrying amounts at the date of completion, within a two years period. During the year ended 31 December 2012, an adjustment to the Net Asset Value of HK$31,742,000 was made to these assets and liabilities and was recognised as gain from discontinued operations.

10. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer during the year are as follows:

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance bonus *HK$'000*	Contributions to retirement benefit scheme *HK$'000*	2013 Total *HK$'000*
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	126	4,931	1,050	53	6,160
Mr. Lim Kiah Meng	126	4,407	1,050	45	5,628
Mr. Lim Hwee Hai	126	4,182	1,050	35	5,393
Madam Lim Hwee Noi	126	2,246	700	33	3,105
	504	15,766	3,850	166	20,286
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael	280	–	–	–	280
	840	–	–	–	840
	1,344	15,766	3,850	166	21,126

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees	Salaries and other benefits	Performance bonus	Contributions to retirement benefit scheme	2012 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	126	4,584	1,500	50	6,260
Mr. Lim Kiah Meng	126	4,050	1,500	51	5,727
Mr. Lim Hwee Hai	126	4,084	1,500	34	5,744
Madam Lim Hwee Noi	126	2,147	1,000	32	3,305
	504	14,865	5,500	167	21,036
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael (appointed on 2 February 2012)	280	–	–	–	280
	840	–	–	–	840
	1,344	14,865	5,500	167	21,876

The performance bonus is determined by reference to the performance of the individual directors.

No directors waived any of their emoluments during the two years ended 31 December 2012 and 31 December 2013.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors whose emoluments are disclosed in note 10 above. The emoluments of the remaining one (2012: one) individual are as follow:

	2013	2012
	HK$000	*HK$000*
Salaries and other benefits	**1,960**	1,860
Contributions to retirement benefit scheme	**12**	12
	1,972	1,872

12. DIVIDENDS

	2013	2012
	HK$000	*HK$000*
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2012 of 5.0 HK cents per share (2012: 5.0 HK cents per share in respect of the year ended 31 December 2011)	**13,852**	13,852
Special dividend, paid in respect of the year ended 31 December 2012 of 3.0 HK cents per share (2012: 9.0 HK cents per share in respect of the year ended 31 December 2011)	**8,311**	24,933
	22,163	38,785

A final dividend of 5.0 HK cents per share amounting to HK$13,852,000 and a special dividend of 3.0 HK cents per share amounting to HK$8,311,000 for the year ended 31 December 2013 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$254,368,000 (2012: HK$159,343,000) and the weighted average number of ordinary shares calculated below.

	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**277,033,332**	277,033,332
Effect of dilutive potential ordinary share:		
Share options issued by the Company	**402,184**	377,752
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**277,435,516**	277,411,084

The effect of dilutive potential ordinary shares of an associate is considered to be insignificant.

The calculation of basic and diluted earnings per share from continuing and discontinued operations are based on the profit for the year from the continuing and discontinued operations of HK$254,368,000 (2012: HK$127,601,000) and nil (2012: HK$31,742,000) respectively and the denominators detailed above.

14. INVESTMENT PROPERTIES

	2013	2012
	HK$000	*HK$000*
At 1 January	**1,212,458**	835,067
Exchange realignment	**(93,353)**	2,264
Additions	**503,536**	278,036
Gain from changes in fair value recognised in profit or loss	**223,111**	99,458
Transfer to assets classified as held for sale	**–**	(2,367)
At 31 December	**1,845,752**	1,212,458

An analysis of the investment properties, which are stated at fair value, by geographical location and lease term is as follows:

	2013	2012
	HK$000	*HK$000*
Hong Kong		
long lease	**896,200**	867,400
medium-term lease	**66,600**	55,700
Japan		
freehold	**589,559**	–
medium-term lease	**246,989**	243,900
Singapore		
freehold	**20,658**	21,366
medium-term lease	**25,746**	24,092
	1,845,752	1,212,458

All of the Group's property interests, which are held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

The fair values of the investment properties in Hong Kong, Japan and Singapore, as at the end of the reporting period, have been arrived at on the basis of valuations carried out on that date by DTZ Debenham Tie Leung Ltd., CBRE KK and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. There has been no change from the valuation techniques used in the prior year.

14. INVESTMENT PROPERTIES (CONTINUED)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, which ranged from 6.0% to 6.9%. An increase in the capitalisation rate used would result in a decrease in the fair value measurement of the investment properties and vice versa.

The key inputs used in valuing the investment properties located in Hong Kong and Singapore is price per square metre, using market comparables and taking into account of the location and other individual factors such as road frontage, size of property etc. The higher the price, the higher the fair value.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Fair value hierarchy: Level 3 *HK$'000*	**Fair value as at 31.12.2013** *HK$'000*
Properties located in Hong Kong and Singapore	**613,404**	**1,009,204**
Properties located in Japan	**836,548**	**836,548**
	1,449,952	**1,845,752**

There were no transfer into or out of level 3 during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building in Hong Kong under long lease HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2012	18,888	3,325	1,000	2,442	25,655
Exchange realignment	–	–	1	120	121
Additions	–	1,140	2,631	–	3,771
Disposals	–	(24)	(153)	–	(177)
At 31 December 2012	**18,888**	**4,441**	**3,479**	**2,562**	**29,370**
Exchange realignment	**–**	**54**	**708**	**(72)**	**690**
Additions	**–**	**412**	**17,534**	**755**	**18,701**
Acquisition of a subsidiary *(note 35)*	**–**	**2,126**	**29,225**	**–**	**31,351**
Disposals	**–**	**(45)**	**–**	**(755)**	**(800)**
At 31 December 2013	**18,888**	**6,988**	**50,946**	**2,490**	**79,312**
DEPRECIATION					
At 1 January 2012	1,035	1,873	67	1,307	4,282
Exchange realignment	–	–	1	74	75
Provided for the year	100	434	760	292	1,586
Eliminated on disposals	–	(10)	(135)	–	(145)
At 31 December 2012	**1,135**	**2,297**	**693**	**1,673**	**5,798**
Exchange realignment	**–**	**–**	**(3)**	**(52)**	**(55)**
Provided for the year	**99**	**1,055**	**4,091**	**380**	**5,625**
Eliminated on disposals	**–**	**(45)**	**–**	**(88)**	**(133)**
At 31 December 2013	**1,234**	**3,307**	**4,781**	**1,913**	**11,235**
CARRYING VALUES					
At 31 December 2013	**17,654**	**3,681**	**46,165**	**577**	**68,077**
At 31 December 2012	17,753	2,144	2,786	889	23,572

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20%

16. GOODWILL

	HK$'000
Arising on acquisition of a subsidiary and as at 31 December 2013	**11,509**

For the purposes of impairment testing, goodwill has been allocated to a cash generating unit ("CGU") which is a subsidiary engaging in the business of provision of payment and network solutions to banks in Bangladesh.

During the year ended 31 December 2013, management of the Group determined that there is no impairment of the CGU containing goodwill. The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined based on the value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 5-year period and a discount rate of 20.22%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

17. INTANGIBLE ASSETS

	Softwares *HK$'000*	Customer relationships *HK$'000*	Consolidated *HK$'000*
COST			
Acquisition of a subsidiary *(note 35)*	**38,708**	**9,918**	**48,626**
Additions	**2,315**	**–**	**2,315**
Exchange realignment	**977**	**250**	**1,227**
At 31 December 2013	**42,000**	**10,168**	**52,168**
AMORTISATION			
Charge for the year	**3,485**	**847**	**4,332**
At 31 December 2013	**3,485**	**847**	**4,332**
CARRYING VALUE			
At 31 December 2013	**38,515**	**9,321**	**47,836**

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis not more than 10 years.

18. INTERESTS IN ASSOCIATES

	2013 **HK$'000**	2012 HK$'000
Cost of investment in associates		
Listed overseas	**75,927**	29,850
Unlisted	**–**	55,095
Share of post-acquisition profits and reserves, net of dividend received	**76,911**	56,294
	152,838	141,239
Fair value of a listed associate	**174,321**	195,091

Details of the principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company 2013 (note)	2012	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	**47.3%**	47.0%	Distribution of mobile and IT products and provision of services
Information Technology Consultants Limited ("ITCL")	Limited company	Bangladesh	Ordinary	**–**	29.5%	Provision of payment and network solutions

Note: During the current year, the Group acquired additional 14.1% of ownership interest in ITCL for a consideration of HK$22,104,000 and thereafter ITCL became a subsidiary of the Group as detailed in note 2.

The summarised financial information in respect of the Group's associates is set out below:

	2013 **HK$'000**	2012 HK$'000
Total assets	**1,190,635**	1,373,707
Total liabilities	**(868,674)**	(1,062,832)
Net assets	**321,961**	310,875
Group's share of net assets of associates	**152,838**	141,239
Total revenue	**4,757,433**	5,513,039
Total profit (loss) for the year	**72,267**	(158,188)
Group's share of the total profit (loss) of associates for the year	**34,232**	(74,835)

18. INTERESTS IN ASSOCIATES (CONTINUED)

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of profit (losses) of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2013	2012
	HK$'000	*HK$'000*
Unrecognised share of profit (losses) of associates for the year	**70**	(76)
Accumulated unrecognised share of losses of associates	**(1,632)**	(1,702)

19. INTEREST IN JOINT VENTURE

	2013	2012
	HK$'000	*HK$'000*
Cost of investments	**12,679**	12,679
Share of post-acquisition (loss) profit and reserves	**(3,636)**	5,407
	9,043	18,086
Less: impairment allowance	**(9,043)**	(9,043)
	–	9,043

During the year ended 31 December 2012, an impairment loss of HK$9,043,000 was recognised on the carrying amount of the interest in joint venture as the directors anticipated that the carrying amount exceeded the recoverable amount.

Details of the joint venture at the end of the reporting period are as follows:

Name of company	**Form of business**	**Country of incorporation/ operation**	**Proportion of capital held indirectly by the Company**		**Principal activities**
			2013	2012	
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	PRC	**25.6%**	25.6%	Manufacture of electronic products

Hangxin is jointly controlled by the Group and the other equity-holders by virtue of contractual arrangements amongst equity-holders. All major decisions of Hangxin require unanimous consent from all the equity-holders.

19. INTEREST IN JOINT VENTURE (CONTINUED)

The summarised financial information of the Group's interest in joint venture, which is accounted for using the equity method, is set out below:

	2013	2012
	HK$'000	*HK$'000*
Non-current assets	**30,212**	20,463
Current assets	**462**	13,689
Current liabilities	**(16,860)**	(8,092)
Non-current liabilities	**(6,881)**	(7,974)
Income recognised in profit or loss	**9,694**	22,564
Expenses recognised in profit or loss	**(22,338)**	(23,415)
Other comprehensive income	**–**	–

The Group has discontinued recognising its share of loss of the joint venture. The amount of unrecognised share of loss of the joint venture, extracted from its management accounts for the year is as follows:

	2013
	HK$'000
Unrecognised share of loss of joint venture for the year	**(4,983)**
Accumulated unrecognised share of loss of joint venture	**(4,983)**

20. AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK$'000	2012 HK$'000
Equity securities		
Listed overseas, at fair value	**66,728**	62,430
Unlisted, at cost	**31,186**	23,433
Club debentures, unlisted, at cost	**1,300**	1,300
	99,214	87,163

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges. The unlisted equity securities are measured at cost less impairment, if any, because the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The unlisted securities represent investment in entities carrying on IT related business and development of hospitality business for capital appreciation and strategic purposes.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 HK$'000	2012 HK$'000
Trade receivables	**98,742**	77,946
Less: allowance for doubtful debts	**(7,539)**	(464)
	91,203	77,482
GST receivable	**8,489**	10,287
Amount due from trustee	**–**	78,467
Consumption tax receivable	**17,559**	13,457
Deposits, prepayments and other receivables	**56,092**	14,521
	173,343	194,214

The amount due from trustee represented rental deposits from tenants of properties and funds reserved for leasing operation held in a bank account by the trustee.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. For sales of electronic devices to banks, sales in Bangladesh are on instalment basis. No credit period is granted to customers for renting of properties and related company. Rent is payable in advance on presentation of a demand note. No interest is charged on overdue debts.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Included in the trade receivable balance are debts with total carrying amount of HK$46,627,000 (2012: HK$36,238,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the end of the reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

The aging of these trade receivables which are past due but not impaired are as follows:

	2013 HK$000	2012 HK$'000
Overdue:		
Within 30 days	**29,085**	17,856
31 to 90 days	**8,485**	11,202
91 to 120 days	**845**	3,148
Over 120 days	**8,212**	4,032
	46,627	36,238

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	2013 HK$'000	2012 HK$'000
Balance at beginning of reporting period	**464**	15
Acquired on acquisition of a subsidiary	**6,735**	–
Impairment losses recognised	**648**	495
Amounts written off as uncollectible	**(308)**	(46)
Balance at end of the reporting period	**7,539**	464

The allowance for doubtful debts is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

The following is an aged analysis of trade receivable presented based on the invoice date at the end of the reporting period.

	2013 HK$000	2012 HK$'000
Within 30 days	**47,050**	43,792
31 to 90 days	**28,340**	22,004
91 to 120 days	**1,152**	4,051
Over 120 days	**14,661**	7,635
	91,203	77,482

22. INVESTMENTS HELD-FOR-TRADING

	2013	2012
	HK$'000	*HK$'000*
Equity securities		
listed overseas, at fair value	**11,097**	10,876

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

23. PLEDGED DEPOSITS/BANK BALANCE AND CASH/BANK OVERDRAFTS

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.001% to 15% (2012: 0.001% to 4.1%) per annum with an original maturity of three months or less.

Pledged deposits and bank balances that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK$394,331,000 (2012: HK$476,756,000).

On acquisition of a subsidiary as detailed in note 35, bank overdrafts of HK$22,959,000, which bear interest at variable market interest rate of 16% per annum, were obtained through the acquisition. At the end of the reporting period, bank overdrafts of HK$32,590,000 bear interest at variable market interest rate of 16% per annum.

24. ASSETS CLASSIFIED AS HELD FOR SALE

On 31 July 2012, the Group entered into a sale and purchase agreement with a non-related party for the disposal of a property situated in the PRC, for a consideration of RMB1,900,000, equivalent to HK$2,367,000. The disposal was completed on 15 January 2013.

The fair value of the investment property at 31 December 2012 was arrived at by reference to the consideration on disposal less cost to sell.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**67,080**	35,402
Rental deposits received	**14,868**	42,095
Accrued staff costs	**23,821**	27,444
Other payables and accruals	**34,357**	39,216
	140,126	144,157

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States Dollar, currency other than the functional currencies of the relevant group entities amounted to HK$3,603,000 (2012: HK$30,054,000).

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**63,015**	23,329
31 to 90 days	**3,921**	11,991
91 to 120 days	**144**	7
Over 120 days	**–**	75
	67,080	35,402

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2013	2012
	HK$'000	*HK$'000*
Foreign currency forward contracts	**7,690**	–

Major terms of foreign currency forward contracts of the Group as at 31 December 2013 are as follows:

Notional amount	**Maturity**	**Exchange rates**
Buy US$6,000,000	28 January 2014	US$/JPY91.330
Buy US$4,000,000	19 February 2014	US$/JPY93.750

Foreign currency forward contracts with total principal amount of US$2,000,000 (2012: US$15,000,000) to buy varying amounts of Singapore Dollar ("S$") at specified rate(s) of S$1.2388 to US$1 (2012: ranging from S$1.2207 to S$1.2625 to US$1) matured during the current year.

27. BANK LOANS

	2013 HK$'000	2012 HK$'000
Bank borrowings	**657,071**	297,000
Secured	**546,757**	297,000
Unsecured	**110,314**	–
	657,071	297,000
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**447,269**	297,000
More than two years but not more than five years	**209,802**	–
	657,071	297,000
Less: Amounts due within one year shown under current liabilities	**(447,269)**	(297,000)
Amounts shown under non-current liabilities	**209,802**	–

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate, Singapore Interbank Offer Rate or Japanese Yen London Interbank Offer Rate plus a margin, ranging from 0.51% to 1.90% per annum (2012: Japanese Yen London Interbank Offer Rate plus 0.70% per annum).

As at the end of the reporting period, the Group had Japanese Yen denominated bank loans of HK$609,571,000 (2012: HK$297,000,000). All other bank borrowings are denominated in Hong Kong Dollar.

28. BONDS

On 31 October 2013, the Group issued bonds with aggregate principal amount of JPY1,000,000,000 (equivalent to HK$73,900,000) with a maturity of eight years due on 31 October 2021. The bonds are denominated and settled in JPY, bear interest at rate of JPY London Interbank Offer Rate plus 1.9% per annum, payable quarterly.

29. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Allowances for doubtful debts/ inventories HK$'000	Tax losses HK$'000	Undistributed earnings of subsidiaries and an associate HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	(3,039)	1,356	6,239	(10,220)	(13)	(5,677)
(Charge) credit to profit or loss	(3,773)	–	525	9,204	(14)	5,942
Exchange realignment	–	–	–	5	2	7
At 31 December 2012	**(6,812)**	**1,356**	**6,764**	**(1,011)**	**(25)**	**272**
(Charge) credit to profit or loss	**(1,666)**	**–**	**1,666**	**(15,084)**	**–**	**(15,084)**
Exchange realignment	**–**	**–**	**–**	**72**	**–**	**72**
At 31 December 2013	**(8,478)**	**1,356**	**8,430**	**(16,023)**	**(25)**	**(14,740)**

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK$52,322,000 (2012: HK$51,765,000) and unutilised tax losses of HK$56,473,000 (2012: HK$53,082,000). A deferred tax asset has been recognised in respect of the tax losses of HK$51,091,000 (2012: HK$40,993,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$5,382,000 (2012: HK$12,089,000) and the deductible temporary differences due to the unpredictability of future assessable profit streams. All tax losses can be brought forward indefinitely.

30. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases which fall due after one year from the end of the reporting period.

31. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2013	2012	**2013**	2012
			HK$'000	*HK$'000*
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year and end of year	**277,033,332**	277,033,332	**27,703**	27,703

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**99,214**	87,163
Derivative financial instruments	**7,690**	–
Investments held-for-trading	**11,097**	10,876
Loans and receivables (including cash and cash equivalents)	**944,816**	941,738
Financial liabilities		
Financial liabilities stated at amortised cost	**857,597**	355,275

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, derivative financial instruments, investments held-for-trading, trade and other receivables, bank deposits, trade and other payables and bank loans. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

(i) Currency risk

Certain purchase of goods of the Group are denominated in United States Dollar. Certain bank balances are denominated in United States Dollar, Australian Dollar, Singapore Dollar, New Zealand Dollar, Malaysian Riggit, Indonesian Rupiah, Japanese Yen and Renminbi, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollar	**177,857**	163,463	**3,603**	17,665
Australian Dollar	**78,565**	87,299	**–**	–
Singapore Dollar	**201,850**	231,231	**491**	12,388
New Zealand Dollar	**2,423**	2,364	**–**	–
Malaysian Riggit	**4,106**	26,234	**–**	–
Indonesian Rupiah	**16,338**	22,149	**–**	–
Japanese Yen	**24,478**	29,386	**225,081**	–
Renminbi	**3,714**	–	**–**	–

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

	2013		2012	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in post-tax profit**	Increase (decrease) in foreign exchange rates	Increase (decrease) in post-tax profit
	%	***HK$'000***	*%*	*HK$'000*
Non-derivative financial instruments				
United States Dollar	**1.5**	**2,614**	1.5	2,187
	(1.5)	**(2,614)**	(1.5)	(2,187)
Australian Dollar	**10.0**	**7,857**	10.0	8,729
	(10.0)	**(7,857)**	(10.0)	(8,729)
Singapore Dollar	**5.0**	**10,068**	5.0	10,942
	(5.0)	**(10,068)**	(5.0)	(10,942)
New Zealand Dollar	**10.0**	**242**	10.0	236
	(10.0)	**(242)**	(10.0)	(236)
Malaysian Riggit	**5.0**	**205**	5.0	1,312
	(5.0)	**(205)**	(5.0)	(1,312)
Indonesian Rupiah	**10.0**	**1,634**	10.0	2,215
	(10.0)	**(1,634)**	(10.0)	(2,215)
Japanese Yen	**10.0**	**(20,060)**	10.0	(2,939)
	(10.0)	**20,060**	(10.0)	2,939
Renminbi	**10.0**	**371**	–	–
	(10.0)	**(371)**	–	–
Derivative financial instruments				
Japanese Yen	**5.0**	**(3,714)**	N/A	N/A
	(5.0)	**3,714**	N/A	N/A

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2012: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$1,110,000 (2012: HK$1,088,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2012: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK$6,673,000 (2012: HK$6,243,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The bank balances comprising short term bank deposits, bank loans and bank overdrafts carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase by HK$2,104,000 (2012: HK$2,664,000). The analysis is prepared assuming the amounts of bank balances and bank loans outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Singapore which accounted for majority of the trade receivables at 31 December 2013.

The Group has concentration of credit risk on loans and receivable of which 83% (2012: 80%) are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow.

	Weighted average interest rate %	Within 3 months *HK$'000*	3 – 6 months *HK$'000*	7 – 12 months *HK$'000*	1 – 2 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December *HK$'000*
2013								
Non-derivative financial liabilities								
Trade and other payables	N/A	95,121	–	–	–	–	95,121	95,121
Bank loans	1.18	425,942	1,866	16,428	686	242,731	687,653	657,071
Bank overdrafts	16.00	32,590	–	–	–	–	32,590	32,590
Bonds	2.09	386	386	772	1,543	82,901	85,988	72,815
		554,039	2,252	17,200	2,229	325,632	901,352	857,597
Derivative financial instruments								
Foreign currency forward contracts								
– cash inflows		75,898	–	–	–	–	75,898	75,898
– cash outflows		(68,208)	–	–	–	–	(68,208)	(68,208)
		7,690	–	–	–	–	7,690	7,690
2012								
Non-derivative financial liabilities								
Trade and other payables	N/A	58,275	–	–	–	–	58,275	58,275
Bank loans	0.8371	–	297,000	–	–	–	297,000	297,000
		58,275	297,000	–	–	–	355,275	355,275

33. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2013

	Fair value hierarchy		
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Total** *HK$'000*
Listed securities classified as investments held for trading	**11,097**	**–**	**11,097**
Listed securities classified as available-for-sale investments	**66,728**	**–**	**66,728**
Derivative financial instruments – Foreign currency forward contracts	**–**	**7,690**	**7,690**
Total	**77,825**	**7,690**	**85,515**

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

There were no transfers between Levels 1, 2 and 3 during the year.

33. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

34. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

In applying the entity's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, the directors of the Company have taken into consideration the intrinsic value of the unlisted equity securities classified under available-for-sale investments and a joint venture and the present value of the estimated future cash flows from the underlying business of the investee companies. Where the actual cash flows generated from the investment is less than expected, a material impairment loss may arise. As at 31 December 2013, impairment loss on available-for-sale investments and interest in joint venture were nil (2012: HK$10,395,000) and HK$9,043,000 (2012: HK$9,043,000) respectively.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The cause of fluctuations in the fair value of the assets are explained and reported to the management periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of Group's assets. Notes 14 and 33c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the various assets.

35. ACQUISITION OF A SUBSIDIARY

On 7 March 2013, the Group acquired an additional 14.1% ownership interest in ITCL, a then associate of the Group, for a consideration of HK$22,104,000. Upon the completion of acquisition, the Group owned 43.6% ownership interest in ITCL and, in accordance with HKFRS 10, the Group assessed that it has control over ITCL as detailed in note 2, so the transaction has been accounted for as business combination using the acquisition method. ITCL is principally engaged in the business of provision of payment and network solutions to banks in the People's Republic of Bangladesh and was acquired with the objective to invest in promising information technology business and expansion of business in emerging countries.

Consideration paid

	HK$'000
Cash	**22,104**

Acquisition-related costs relating to the above acquisition are immaterial and excluded from the cost of acquisition and have been recognised directly as administrative expenses in the statement of profit or loss.

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	**31,351**
Intangible assets	**48,626**
Current assets	
Inventories	**3,474**
Trade and other receivables, deposits and prepayments *(Note)*	**58,643**
Bank balances and cash	**18,924**
Current liabilities	
Trade payables, other payables and accruals	**(6,479)**
Tax payable	**(1,214)**
Bank overdrafts	**(22,959)**
Total identifiable net assets	**130,366**

Note: The trade and other receivables acquired with a fair value of HK$25,164,000 had gross contractual amounts of HK$31,524,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

35. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Non-controlling interest

The non-controlling interests (56.4%) in ITCL recognised at acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of ITCL.

Goodwill arising on acquisition

	HK$'000
Consideration paid	**22,104**
Add: non-controlling interest	**73,526**
fair value of previously held ownership interest	**46,245**
Less: recognised amount of net identifiable assets acquired	**(130,366)**
Goodwill arising on acquisition	**11,509**

Goodwill arose in the acquisition of ITCL because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of ITCL. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Loss on previously held ownership interest in ITCL acquired in step acquisition

	HK$'000
Carrying amount of previously held ownership interest	**55,336**
Fair value of previously held ownership interest	**(46,245)**
Loss	**9,091**

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	**22,104**
Less: cash and cash equivalent balances acquired	**(18,924)**
	3,180

Impact of acquisition on the results of the Group

Included in the revenue and profit for the year are HK$44,400,000 and HK$875,000 respectively attributable to ITCL.

Had ITCL been consolidated from 1 January 2013, the total revenue and profit for the year of the Group would have been HK$1,651,553,000 and HK$254,712,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

36. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**5,935**	2,176
In the second to fifth years inclusive	**96,561**	1,957
Over five years	**540,034**	–
	642,530	4,133

The Group has entered into agreements with unrelated third parties for leases of their land for a period ranging from 22 to 53 years. The remaining leases were negotiated for an average term of two years and for fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**117,043**	86,781
In the second to fifth year inclusive	**285,324**	169,997
More than five years	**892,830**	15,374
	1,295,197	272,152

The Group has entered into agreements with the trustees for the leasing activities of the properties in Japan for a period ranging from 3 to 30 years, whereby the Group is empowered to enter agreements with the lessees.

The remaining leases are negotiated between the Group and the tenants with majority terms of 2 to 5 years.

37. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 21 May 2007, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted on 20 August 2007 to certain directors and employees of the Group and directors of an associate at an exercise price of HK$1.72 per share and at a cash consideration of HK$10.00 per grantee. At 31 December 2013, the number of options which remained outstanding under the Scheme was 933,334 (2012: 933,334) which, if exercised in full, represents 0.3% (2012: 0.3%) of the enlarged capital of the Company. Details of the share options are as follows:

Number of share options	**Vesting period**	**Exercise period**
133,332	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017
400,000	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017
400,002	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017

The movements in the shares options during the two years ended 31 December 2012 and 31 December 2013 are as follows:

Grantee	**Outstanding at 1 January 2012**	**Exercised during the year**	**Outstanding at 1 January and 31 December 2013**
Directors	333,334	–	**333,334**
Employees and others	600,000	–	**600,000**
	933,334	–	**933,334**

No options were granted or lapsed during the two years ended 31 December 2013 and 31 December 2012.

38. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' salaries costs or HK$1,250, before 30 June 2012, HK$1,000, whichever the lower, to the scheme.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local governments. The subsidiaries contributions to the pension schemes are ranging from 6.5% to 16% of the employees' salaries.

39. PLEDGE OF ASSETS

At the end of the reporting period,

(a) The Group's investment properties with carrying values of HK$1,293,279,000 (2012: HK$643,000,000) were under legal charge to secure general banking facilities available to the Group.

(b) Bank deposits of HK$444,035,000 (2012: HK$341,189,000) were pledged to secure a bank loan drawn during the year.

40. RELATED PARTY TRANSACTIONS

The Group provides management service to an associate from which service income earned during the year amounted to HK$2,843,000 (2012: HK$3,452,000). The amount due from the associate at 31 December 2013 for the services provided included in trade and other receivables amounted to HK$375,000 (2012: HK$1,371,000).

Rental expenses of HK$708,000 (2012: HK$889,000) were incurred during the year for the lease of premises from a related company (2012: two related companies).

Two executive directors and the spouse of one of them have ultimate controlling interest in one of the related companies. All executive directors (and their associates) together have ultimate joint control over the other related company.

A motor vehicle in property, plant and equipment was disposed of to a related company, which is solely owned by an executive director of the Company, at HK$642,000 during the year.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 10. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

41. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2013	2012	
			%	%	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	**100**	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	**100**	100	Property investment
Ever Wealthy Limited	Hong Kong	HK$1	**100**	100	Investment holding
Faith Prosper Ltd.	British Virgin Islands	US$1	**100**	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	**100**	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	**100**	100	Investment holding
Information Technology Consultants Limited	Bangladesh	TK750,000,000	**43.6**	N/A	Provision of payment and network solutions
Qool Bangladesh Limited	Bangladesh	TK1,000,000	**99**	99	Investment holding
Qool Labs Pte. Ltd.	Singapore	S$2	**100**	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK$1	**100**	100	Distribution of IT and communication products
Qool Distribution (M) Sdn Bhd	Malaysia	RM2	**100**	100	Distribution of IT and communication products
QR Capital Limited	Hong Kong	HK$1	**100**	100	Property investment

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2013 %	2012 %	
SiS Asia Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S$1	**100**	100	Investment holding
SiS Capital Limited	Hong Kong	HK$1	**100**	100	Investment holding
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S$2	**100**	100	Investment holding
SiS China Limited	Hong Kong	HK$2	**100**	100	Property investment
SiS HK Limited	Hong Kong	HK$400,000	**100**	100	Investment holding
SiS Japan Inn TMK	Japan	JPY150,000	**100**	N/A	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	**100**	100	Distribution of mobile phone products
Tokutei Mokuteki Kaisha SSG 8	Japan	JPY470,000,000	**100**	100	Property investment

None of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests.

Name of subsidiary	Country of incorporation or registration/ operation	Proportion of nominal value of issued capital held by the Company		Profit allocated to non-controlling interests during the year	Accumulated non-controlling interest
		2013	2012	***HK$'000***	***HK$'000***
		%	*%*		
Information Technology Consultants Limited	Bangladesh	**43.6**	N/A	**720**	**76,114**

Summarised financial information in respect of ITCL that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2013
	HK$'000
Non-current assets	**93,082**
Current assets	**80,796**
Current liabilities	**(38,877)**
Non-current liabilities	**–**
Equity attributable to owners of the Company	**58,887**
Non-controlling interests	**76,114**

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

	Year ended 31.12.2013 *HK$'000*
Revenue	**44,400**
Expenses	**43,525**
Profit for the year	**875**
Profit for the year attributable to owners of the Company	**155**
Profit for the year attributable to owners of the non-controlling interests	**720**
Profit for the year	**875**
Other comprehensive income attributable to owners of the Company	**1,426**
Other comprehensive income to owners of the non-controlling interests	**1,868**
Other comprehensive income for the year	**3,294**
Total comprehensive income attributable to owners of the Company	**1,581**
Total comprehensive income to owners of the non-controlling interests	**2,588**
Total comprehensive income for the year	**4,169**
Net cash inflow from operating activities	**6,450**
Net cash outflow from investing activities	**(16,693)**
Net cash inflow from financing activities	**9,051**

42. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Assets		
Interest in unlisted subsidiaries	**1,257,249**	1,191,401
Bank balances and cash	**52,731**	160,277
Other assets	**17,081**	25,104
	1,327,061	1,376,782
Liabilities		
Payables and accruals	**(24,855)**	(32,410)
Net assets	**1,302,206**	1,344,372
Share capital	**27,703**	27,703
Share premium	**71,367**	71,367
Reserves *(Note below)*	**1,203,136**	1,245,302
Total equity	**1,302,206**	1,344,372

42. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in reserves are presented below:

	Investments reserve	Share options reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	4,909	522	29,186	1,241,221	1,275,838
Profit for the year	–	–	–	7,689	7,689
Other comprehensive income for the year	560	–	–	–	560
Total comprehensive income for the year	560	–	–	7,689	8,249
Dividend recognised as distribution	–	–	–	(38,785)	(38,785)
At 31 December 2012	**5,469**	**522**	**29,186**	**1,210,125**	**1,245,302**
Loss for the year	**–**	**–**	**–**	**(13,955)**	**(13,955)**
Other comprehensive expense for the year	**(6,048)**	**–**	**–**	**–**	**(6,048)**
Total comprehensive expense for the year	**(6,048)**	**–**	**–**	**(13,955)**	**(20,003)**
Dividend recognised as distribution	**–**	**–**	**–**	**(22,163)**	**(22,163)**
At 31 December 2013	**(579)**	**522**	**29,186**	**1,174,007**	**1,203,136**

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(restated)	(restated)	(restated)		
Revenue	3,883,752	158,641	1,328,274	2,098,168	**1,643,902**
Profit before taxation	153,895	267,376	146,795	130,066	**266,234**
Income tax expense	(10,844)	(4,641)	(1,359)	(2,465)	**(11,146)**
Gain on disposal of subsidiaries constituting discontinued operations	–	–	549,885	31,742	**–**
Profit for the year	143,051	262,735	695,321	159,343	**255,088**
Attributable to:					
Owners of the Company	143,051	262,735	695,321	159,343	**254,368**
Non-controlling interests	–	–	–	–	**720**
	143,051	262,735	695,321	159,343	**255,088**

ASSETS AND LIABILITIES

	At 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(restated)	(restated)	(restated)		
Total assets	1,566,039	2,689,051	2,124,775	2,508,657	**3,334,635**
Total liabilities	(583,691)	(1,404,029)	(193,827)	(480,124)	**(1,013,263)**
Net assets	982,348	1,285,022	1,930,948	2,028,533	**2,321,372**
Attributable to:					
Owners of the Company	982,348	1,285,022	1,930,948	2,028,533	**2,245,258**
Non-controlling interests	–	–	–	–	**76,114**
	982,348	1,285,022	1,930,948	2,028,533	**2,321,372**

Information for the year ended 31 December 2008 to 2011 has been adjusted to reflect the change in accounting policies for the application of the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" as set out in note 2 to the financial statements for the year ended 31 December 2011.

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2013

Name of property and location	Lease terms	Use
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2013

Name of property and location	Lease terms	Use
Unit 6, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 7, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7/F., Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
Rinku Gate Building Tower 1 Rinku-Oraikita Izumisaho, Osaka Japan	Medium-term lease	Commercial and hotel
Toyoko Inn Naha Asahi-bashi Ekimae 1-20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2-4-28, Korinbo, Kanazawa City Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1-1 Akashicho, Hiratsuka City Kanagawa Japan	Freehold and medium-term lease	Hotel
Toyoko Inn Niigata Furumachi 1168-2, 7 Bancho, Kamiokawamaedori Chuo-Ku, Niigata City, Niigata Japan	Freehold	Hotel
Toyoko Inn Tokushima Ekimae 1-5, Ryogokuhoncho, Tokushima City, Tokushima Japan	Freehold	Hotel