北京建設 BPHL

# BEIJING PROPERTIES (HOLDINGS) LTD

*(incorporated in Bermuda with limited liability)*

*Stock Code: 925*


# 2013 Annual Report

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**

Mr. YU Li *(Vice Chairman)*
Mr. QIAN Xu *(Chief Executive Officer)*
Mr. SIU Kin Wai *(Chief Financial Officer)*
Mr. XU Taiyan
Mr. JIANG Xinhao
Ms. MENG Fang
Mr. YU Luning
Mr. LIU Xueheng
Mr. ANG Renyi
Mr. ZHOU Si (resigned on 21 January 2014)

**Independent Non-Executive Directors**

Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang
Mr. James CHAN

## AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew *(Chairman)*
Mr. GOH Gen Cheung
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang
Mr. James CHAN

## INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. LIU Xueheng (*Chairman*) (appointed on 1 September 2013)
Mr. QIAN Xu
Mr. JIANG Xinhao
Ms. MENG Fang
Mr. SIU Kin Wai
Mr. YU Luning
Mr. ZHU Wuxiang
Mr. ANG Renyi (appointed on 1 September 2013)

## NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto *(Chairman)*
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. QIAN Xu
Ms. MENG Fang
Mr. YU Luning
Mr. James CHAN

## REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. YU Luning
Mr. James CHAN

## COMPANY SECRETARY

Mr. SIU Kin Wai

## STOCK CODE

925

## AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendor House, 2 Church Street,
Hamilton, HM11,
Bermuda (effective on 21 February 2014)

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong (effective on 31 March 2014)

## AUDITORS

Ernst & Young

## WEBSITE

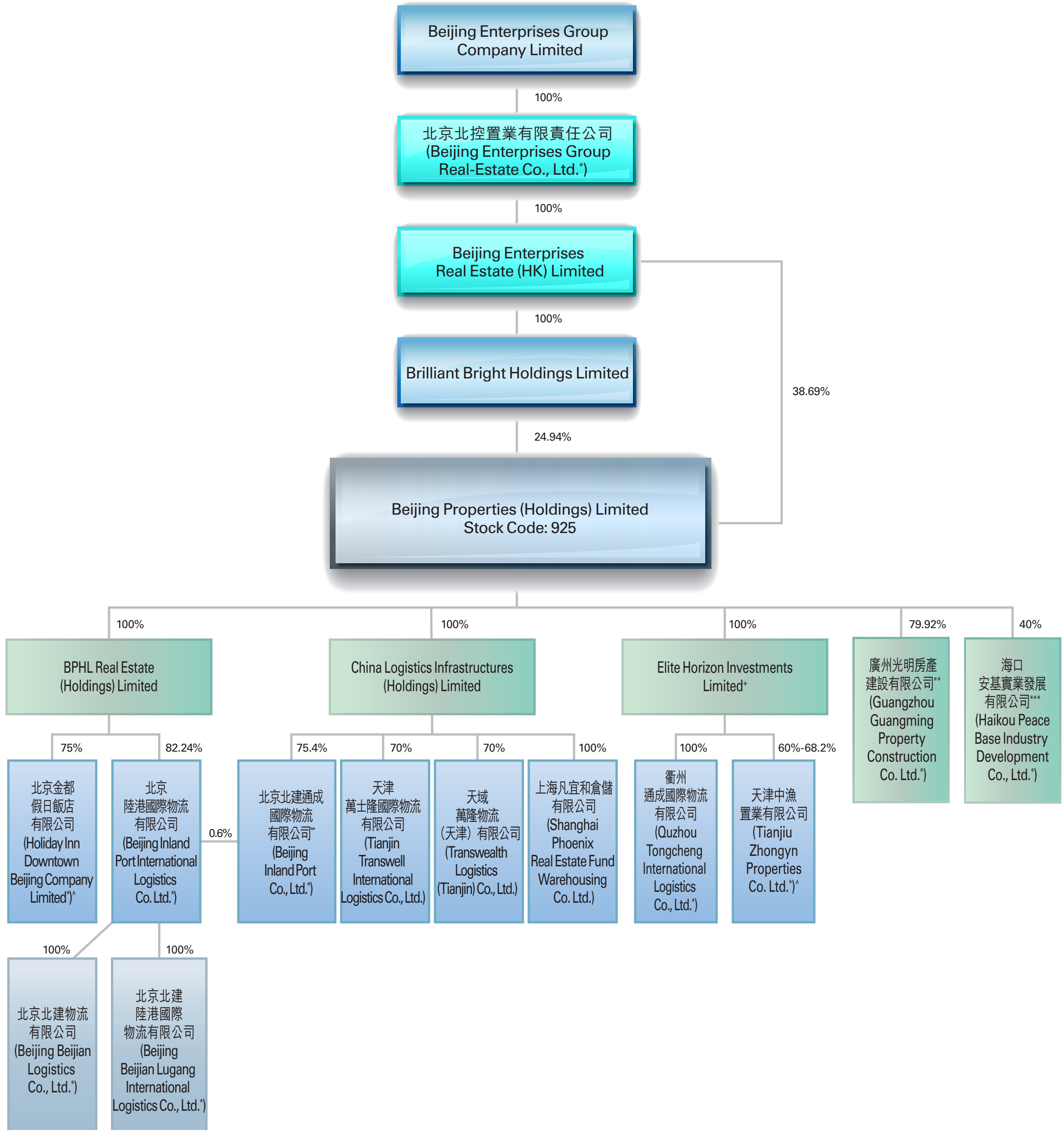
www.bphl.com.hk

## PRINCIPAL BANKERS

China CITIC Bank International Ltd
Shanghai Pudong Development Bank Co., Ltd. Beijing Chaoyang Sub-Branch
Bank of China Limited. Tianjin Airport Branch
Agricultural Bank of China. Tianjin Airport Industrial Park Sub-branch.
CITIC Bank International (China) Limited. Shanghai Branch
Agricultural Bank of China. Sanyuanqiao Sub-branch.

# GROUP STRUCTURE

As at 28 March 2014




* for identification purpose only

** Joint Venture Company

*** Associate Company

^ Transaction not yet completed

+ Subject to the approval of the relevant authority of the place of incorporation, the company will be renamed to China Hui Ying Cold and Agriculture (Holdings) Limited (中國匯盈冷凍及農業(控股)有限公司*)

# DIRECTORS AND SENIOR MANAGEMENT

Our board (the "Board") of directors (the "Directors") currently consists of fourteen Directors, comprising nine executive Directors and five independent non-executive Directors.

## EXECUTIVE DIRECTOR

### MR. YU LI

Aged 50, vice chairman, Mr. Yu is the chairman and an executive director of the Beijing Enterprises Group Real-Estate Co., Ltd ("BE Real Estate"). Mr. Yu obtained an Executive MBA degree from the Peking University. Mr. Yu has extensive experience in corporate management. Mr. Yu joined the Group in January 2011.

### MR. QIAN XU

Aged 50, chief executive officer, Mr. Qian is the general manager and an executive director of the BE Real Estate. Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian joined the Group in July 2009.

### MR. SIU KIN WAI

Aged 45, chief financial officer and company secretary, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and members of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory and assurance. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company and also serves as the chief financial officer of Beijing Holdings Limited ("BHL"), an associate of the Company. Mr. Siu is also the independent non-executive director of Agritrade Resources Limited (SEHK stock code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

### MR. XU TAIYAN

Aged 60, is a vice president and the company secretary of the Beijing Enterprises Group Company Limited ("BE Group"). Mr. Xu obtained his bachelor's degree in economics from the Renmin University of China. Mr. Xu joined the Group in January 2011.

### MR. JIANG XINHAO

Aged 49, is a vice general manager of the BE Group, an executive director of the BE Real Estate, an executive director and a vice president of Beijing Enterprises Holdings Limited ("BEHL") (SEHK stock code: 392) and an executive director of Beijing Enterprises Water Group Limited ("BE Water") (SEHK stock code: 371), BEHL and BE Water are respectively subsidiary and associated company of the BE Group. Mr. Jiang graduated from Fudan University in 1987 with a bachelor's degree in law, and then in 1992 with a master's degree in law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 2000 to 2005, Mr. Jiang was a manager of the investment development department of BHL, and the general manager of Beijing BHL Investment Center, a wholly owned subsidiary of BHL. He served as a policy analyst of the Chinese State Commission of Restructuring Economic System from 1987 to 1989. Mr. Jiang has extensive experience in corporate finance and corporate management. Mr. Jiang joined the Group in January 2011.

# DIRECTORS AND SENIOR MANAGEMENT

**MS. MENG FANG**

Aged 50, is a vice general manager of the BE Real Estate. Ms. Meng graduated from Chinese Academy of Social Sciences. Ms. Meng has extensive experience in corporate management. Ms. Meng joined the Group in January 2011.

**MR. YU LUNING**

Aged 52, graduated from the Economics and Management Faculty of the Beijing Industrial University with a bachelor's degree in economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

**MR. LIU XUEHENG**

Aged 40, obtained his MBA from the Cambridge University of the United Kingdom. Mr. Liu has extensive experience in the equity investment, corporate finance, IPO listings and mergers and acquisitions. Mr. Liu is a co-founder of Partners Capital International Limited and Vision Finance Group Limited and is currently an executive director of Vision Finance Group Limited and an independent non-executive director of Guangshen Railway Co., Limited (SEHK Stock Code: 525). Mr. Liu joined the Group in January 2011.

**MR. ANG RENYI**

Aged 28, holds a Bachelor of Arts in Environmental Engineering degree from the Harvard University. Prior to joining our Board, Mr. Ang Renyi had been an analyst of energy and natural resources group in J.P. Morgan Asia Pacific. He has extensive experience in the areas of banking and capital markets. Mr. Ang joined the Group in December 2012.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

**MR. GOH GEN CHEUNG**

Aged 67. Mr. Goh has been appointed as independent non-executive Director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759) and Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728).

**MR. MA CHIU CHEUNG, ANDREW**

Aged 72. Mr. Ma has been appointed as an independent non-executive Director of the Group since September 2004. Mr. Ma is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited) and is currently a director of Mayee Management Limited. He has over 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree, majoring in economics, from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. Mr. Ma also serves as independent non-executive director of Asia Financial Holdings Limited (SEHK stock code: 662), Tanrich Financial Holdings Limited (SEHK stock code: 812), C.P. Pokphand Company Limited (SEHK stock code: 43), China Resources Power Holdings Company Limited (SEHK stock code: 836), and Chong Hing Bank Limited (SEHK stock code: 1111). Mr. Ma retired as an non-executive director of Asian Citrus Holdings Limited, a company listed on the AIM Board of The London Stock Exchange (AIM stock code: ACH) and on the SEHK (SEHK stock code: 73) with effect from 12 November 2013.

# DIRECTORS AND SENIOR MANAGEMENT

**MR. NG TANG FAI, ERNESTO**

Aged 70. Mr. Ng has been appointed as independent non-executive Director of the Group since May 2007. Mr. Ng has extensive experience in the areas of corporate governance, banking and capital markets. Mr. Ng is now the executive vice president of Asia Financial Holdings Limited (SEHK stock code: 662).

**MR. ZHU WUXIANG**

Aged 48. Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in quantitative economics and has obtained a doctorate degree. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as independent non-executive directors of CFLD Inc., a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 600340). Mr. Zhu joined the Group in January 2011.

**MR. JAMES CHAN**

Aged 60. Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a bachelor degree of Arts in Architectural Studies from the University of Hong Kong, a bachelor degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan also is an executive director and the project director of the Pacific Century Premium Development Limited (SEHK Stock Code: 432). Mr. Chan joined the Group in June 2011.

The senior management team of the Group include:

**MR. DONG QILIN**

Aged 49, executive vice president of the Company and 北京允中投資咨詢有限公司 (Beijing Yun Zhong Investment Consulting Co., Ltd) ("BYZCC") (Formerly known as 北京京泰投資咨詢有限公司(BHL Investment Consulting Co., Ltd.)), a wholly owned subsidiary of the Company. Mr. Dong graduated from the University of Science and Technology Beijing（北京科技大學）with a master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation. He was appointed as an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

**MR. LI CHANGFENG**

Aged 41, executive vice president of the Company and BYZCC. Mr. Li graduated from the Northern Jiaotong University（北方交通大學）with a master's degree in Transportation Management and obtained the professional and technological qualification of an Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development. He was appointed as an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

**MR. TIAN YUE**

Aged 51, vice president of the Company and a senior vice president of BYZCC. Mr. Tian graduated from Northwestern Polytechnical University（西北工業大學）with a bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed as a vice president of BYZCC in June 2010 and was promoted as a senior vice president of BYZCC and was also appointed as a vice president of the Company in February 2014.

# DIRECTORS AND SENIOR MANAGEMENT

**MR. ZHU SHIXING**

Aged 44, vice president of the Company and a senior vice president of BYZCC. Mr. Zhu graduated from the Beijing Sport University (北京體育大學) and the Central University of Finance and Economics (中央財經大學) with bachelor degrees in Management and Finance respectively, and obtained the professional and technological qualification of an Assistant Economist of the PRC. Mr. Zhu has extensive experience in real estate project construction management. He was appointed as a vice president of BYZCC in June 2010 and was promoted as a senior vice president of BYZCC and was also appointed as a vice president of the Company in February 2014.

**MR. WAN LEE CHAM**

Age 53, treasurer of the Company, Mr. Wan graduated from the Hong Kong Baptist College in 1983 with the honours diploma in Accounting and received a master degree in Information Technology from the UK Coventry Polytechnic in 1988. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to his service with the Company, he was the General Manager in Finance and Administration of the China Digital satNet Limited and the Project Financial Controller of the C.P. Pokphand Co. Ltd. (SEHK stock code: 43). Mr. Wan had extensive and valuable experience in financial management. He was appointed as a treasurer of the Company in February 2014.

**MR. CHENG CHING FU**

Aged 40, financial controller and deputy company secretary of the Company, Mr. Cheng graduated from Curtin University, Perth, Western Australia with a bachelor degree in Commerce, major in Accounting and Finance, and then obtained his MBA degree in University of South Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He was appointed as the financial controller and deputy company secretary of the Company in October 2013.

**MS. LI XIN**

Aged 49, senior vice president of BYZCC. Ms. Li graduated from Renmin University of China (中國人民大學) with a bachelor degree in Industrial Economics and Management, and obtained the professional and technological qualification of Senior Accountant of the PRC. Ms. Li has extensive experience in financial management. She was appointed as a senior vice president of BYZCC in February 2014.

# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

On behalf of the board of directors (the "Board"), I would like to express our sincere gratitude and appreciation to our shareholders, management team, staff and business partners for their support, trust, dedication, and contributions to the Group throughout the year.

In line with its strategy of active expansion, the Group carried out various acquisitions during the year which has greatly enhanced the continuing profitability of its operating assets and has laid a solid groundwork for its profitability ahead. In order to facilitate the development of its businesses and assets in a more professional manner, the Group set up three major arms during the year as follows:

1. China Logistics Infrastructures (Holdings) Limited: It is a strategic platform established for the development of e-commerce and bonded logistics facilities. It currently comprises 天津萬士隆國際物流有限公司 (Tianjin Transwell International Logistics Co., Ltd.) and 天域萬隆物流（天津）有限公司 (Transwealth Logistics (Tianjin) Co., Ltd.) at the Tianjin Airport, 上海凡宜和倉儲有限公司 (Shanghai Phoenix Real Estate Fund Warehousing Co., Ltd.) in the Shanghai Pilot Free Trade Zone, and 北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd.) which is under development in Majuqiao, Tongzhou, Beijing. The objectives of the Group are to develop this platform into one of China's leading logistics facilities suppliers in the next four years and to have a rentable area of at least 3 million square meters. To achieve these objectives, the Group, on the one hand, continued to identify suitable partners who share the same operational philosophy. On the other hand, it further sought potential projects suitable for investment and acquisition in the above regions and will expand its logistics facilities network into other cities such as Chengdu, Chongqing, Dalian and Guangzhou. With such efforts, the Group aims to step up its network development in major rapidly-growing cities in China and, hence, to contribute to the Group's revenue, net profit and shareholders' return. Relevant business negotiations have been initiated and are in preliminary stages, and none of them has crystallized into any agreement.

2. Elite Horizon Investments Limited (subject to the approval of the relevant authority of the place of incorporation, the company will be renamed to China Hui Ying Cold and Agriculture (Holdings) Limited（中國匯盈冷凍及農業（控股）有限公司）: It is another strategic platform established by the Group for the development of cold chain logistics facilities and wholesaling market of agricultural products. It currently comprises 衢州通成國際物流有限公司 (Quzhou Tongcheng International Logistics Co., Ltd.) at Quzhou, Zhejiang and 天津中漁置業有限公司 (Tianjin Zhongyu Properties Co., Ltd) in the 天津市中心漁港經濟區 (Tianjin Marine Economic Area). The Group's objectives are to develop this platform into one of China's leading suppliers of cold chain storage and wholesaling market of agricultural products in the next four years and to have cold storage capacity of approximately 1 million tons. In view of the specialty and professionalism of the cold chain storage and the wholesaling market of agricultural product sectors, the Group intends to cooperate with potential partners to jointly capture the opportunities arising from the rapid restructuring and development needs of these two sectors. The Group aims to speed up the process of network building in major rapidly-growing cities in China and, hence, to contribute to the Group's revenue, net profit and shareholders' return. The Group has commenced preliminary negotiations in respect of potential investment and acquisition projects in various regions including Beijing and Shanghai, and none of them has crystallized into any agreement.

# CHAIRMAN'S STATEMENT

3. BPHL Real Estate (Holding) Limited: It is the third strategic platform established by the Group for the development of commercial properties and real estate in the PRC. A small residential project, namely Owners' City, was launched by the Group in 2011 and has made profit contributions to the Group. As such, in addition to logistics facilities, the Group has also developed commercial and residential projects, but in a lesser scale in terms of resource allocation when compared with that of the logistics facilities business. However, given the stable rental income and cash flow generated from commercial properties, as well as the high return and short capital payoff period of residential projects, the Group will also engage in the development of commercial and residential properties when suitable opportunities arise so as to provide additional capital for the development of the Group's logistics facilities business. Being the first step in commercial properties development, the Group acquired 北京金都假日飯店 in Beijing and 廣州光明廣場 in Guangzhou during the year at optimal prices. Although these properties have yet to generate considerable contributions to the Group's profit, it is expected that their intrinsic values will be recognised in future. In view of the restructuring of the Chinese commercial and residential property markets, the Group will develop this business in a cautious and orderly manner.

The establishment of the above three platforms illustrates the Group's present development philosophies and strategies. The Board is dedicated to implement such strategies and create substantial returns for the shareholders. Meanwhile, the Board will continue to look into other value added strategies of our logistics business that are beneficial to the Group's shareholders, including but not limited to investing in industrial properties and exploring third-party logistics business. By leveraging on our strong execution capabilities and business replication abilities, the Group seeks to expand additional income sources within a short timeframe.

The Group is developing and expanding in an orderly manner and its market capitalization is growing at a steady pace. During the year, PAG made strategic investment in the Group by acquiring the Company's convertible notes totaling US$80 million. PAG is a leading alternative investment fund management groups in Asia with extensive experience in investing in the region's capital markets and property sectors. The investment by PAG demonstrated a strong vote of confidence of the capital market towards the Group's development strategies and future growth potential. The Group will spend extra efforts in promoting investor relations in the coming year in order to getting additional recognition of the Group in the capital market.

Last but not least, I, on behalf of the Board, extend our deepest gratitude to our former chairman, Mr. Zhou Si, for his valuable contributions to the Group during his tenure. We also look forward to your continued and staunch support in the future. Thank you.

**Yu Li**
*Vice Chairman*

28 March 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2013 (the "Fiscal Year 2013"), the Group recorded a consolidated profit attributable to the shareholders of the Company of approximately HK$700,962,000, as compared to the consolidated loss of approximately HK$97,769,000 recorded in the year ended 31 December 2012 (the "Fiscal Year 2012"). The reasons of the significant increase in profit of current year are mainly (i) the gains on bargain purchases of approximately HK$456,741,000 arising from acquisitions which is principally related to valuation gains of the properties indirectly acquired; (ii) the fair value gain of investment properties amounting to approximately HK$193,801,000; and (iii) the recognition of reversal of provision for litigations amounting to approximately HK$139,333,000.

## BUSINESS REVIEW

During the Fiscal Year 2013, the logistics business segment was our key revenue and profit generator in our business portfolio.

### Logistics Business

In relation to the new acquisition in Shanghai, on 8 August 2013, the Company entered into an agreement for the acquisition of the entire equity interest in Phoenix Real Estate Fund Wai Gao Qiao Holdings Limited ("Phoenix WGQ") and its wholly owned subsidiary, Shanghai Phoenix Real Estate Fund Warehousing Co., Ltd. ("Shanghai WGQ") (collectively the "Phoenix WGQ Group"). Shanghai WGQ is situated in the first free-trade zone in Shanghai. The zone covers four existing bonded zones which include Waigaoqiao Free Trade Zone (where Shanghai WGQ located), Waigaoqiao Free Trade Logistics Park, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. The acquisition of the Phoenix WGQ Group was completed on 1 November 2013. The warehouse comprises a total of 23 warehouse units within a 1- to 2-storey warehouse building with a total gross floor area of 211,985.22 square metres. The occupancy rate of the warehouses was 78.98% as at 31 December 2013.

In relation to the new acquisition in Tianjin, on 6 March 2013, the Company entered into agreements for the acquisitions of: (i) the respective 70% equity interest in both 天津萬士隆國際物流有限公司 (Tianjin Transwell International Logistics Co., Ltd.) ("WSL Logistics") and 天域萬隆物流(天津)有限公司 (Transwealth Logistics (Tianjin) Co., Ltd.) ("TYWL"); and (ii) the 70% interest in the shareholders' loan to High Church Group Limited, the immediate holding company of TYWL. The acquisition of WSL Logistics was completed on 1 August 2013. The warehouse held by WSL Logistics comprises a main building on a parcel of land with an area of 45,550.9 square metres and an ancillary building with a total gross floor area of approximately 27,494.49 square metres situated in the Tianjin Airport Economic Area (International Logistics Zone). The occupancy rate of the WSL Logistics' warehouses and offices was 87.55% as at 31 December 2013. The acquisition of TYWL was completed on 24 September 2013. The property held by TYWL comprises a parcel of land with an area of 47,317.3 square metres. The property is proposed to be developed into a warehouse complex with a total gross floor area of approximately 34,766 square metres. Construction of the proposed development with a total gross floor area of approximately 11,766 square metres has been substantially completed except building service installation works. Construction for the remaining portion of the property has not yet commenced.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (Continued)

### Logistics Business (Continued)

In relation to the new investment in Tianjin, pursuant to a capital increase agreement and a joint venture agreement dated 29 November 2013, the Company will acquire an equity interest in the range of 60% to 68.2% of a cold chain logistics distribution centre of aquatic products in the Tianjin Marine Economic Area（天津市中心漁港經濟區）. The joint venture has land of approximately 85,634 square metres to be developed by two phases. Approximately 32,000 square metres of land will be developed as phase I with approximately 67,986 square metres of cold warehouse to be constructed and the remaining land will be developed as phase II depending on the progress of phase I. The construction of phase I is expected to be completed in the third quarter of 2015.

In relation to the Chaoyang Inland Port (where Beijing Inland Port International Logistics Co., Ltd.（北京陸港國際物流有限公司）("Lugang") is situated) in Beijing, the property comprises four parcels of industrial land with a total area of 161,498.66 square metres and is developed into a total of 18 buildings and structures with a total gross floor area of 32,913.86 square metres which are devoted to various uses such as warehouse, office complex and utility. The various structures comprise container yard, boundary wall, drainage works and so on. The total gross floor area available for leasing is 18,155.06 square metres. The occupancy rate of warehouses and offices was approximately 79.65% as at 31 December 2013. According to the arrangement set out by the People's Government of the Beijing Municipality, the entire existing function and business of this port will be migrated to and to be further expanded in the Majuqiao Logistics Base (a logistic base invested, developed and operated by 北京北建通成國際物流有限公司) upon completion.

### Commercial and Residential Business

For the segment, we currently own the 廣州光明廣場 in Guangzhou and will own the 北京金都假日飯店 in Beijing (the acquisition is subject to fulfilment of certain condition precedents), which are commercial properties located in prime areas of the respective cities and will contribute a stable rental income to the Group in the future. For the segment, however, our strategy is to try to cooperate with other quality teams as much as possible so that we can focus our resources in developing the logistics business on one hand and enjoy the fast and higher return of commercial and residential properties on the other hand, in order to further enhance the cash inflows contribution to our logistics business.

## BUSINESS PROSPECT

Building the nationwide network of logistics properties to enjoy the stable rental yield is one of our business goals. Our target is to own a total area of at least four million square meters of rentable areas of logistics facilities in the coming four years and currently the progress is satisfactory. To realise such goal, the Group will accelerate investment, development and operation of logistics properties in respect of inland port, e-commerce, cold chain storage and other specialised areas by leveraging the policies implemented as well as economic development trends in the coming years. Meanwhile, we will further extend its logistics industry chain by cooperating with experienced partners in good faith to provide our customers high value-added services and establish a commercial model for long-term sustainable development to enhance the Group's profitability and maximise the value of our shareholders' equity.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS PROSPECT (Continued)

Looking ahead, based on the expectation that the logistics business of the PRC will be further developed along with the significant growth of e-commerce and economic activities of China, even it is expected that a slight adjustment will happen in the forseeable future, the management believe that a healthy and continuing growth of the industry will exist. We will further capitalise on the strong base laid in the Fiscal Year 2013 to develop our network in other cities, such as the first tier cities like Beijing, Shanghai and Guangzhou and the second upper tier cities like Tianjin, Chongqing, Dalian, etc. Our target will not change and so hoping a continuous improving return will be brought to the shareholders.

## FINANCIAL REVIEW

### Revenue and gross profit analysis

The revenue from continuing operations (net of business tax) for the Fiscal Year 2013 amounted to approximately HK$35,848,000, representing an increase of approximately HK$24,841,000 or 225.68%, from approximately HK$11,007,000 of the Fiscal Year 2012. The increase was primarily contributed by the acquisitions of logistics business in Tianjin and Shanghai in 2013. The gross margin for the Fiscal Year 2013 amounted to approximately HK$31,939,000, representing an increase of approximately HK$24,661,000, or 338.84% from approximately HK$7,278,000 of the Fiscal Year 2012.

### Logistics Business

In relation to the logistics business, the above revenue and gross profit represent the logistics segment's revenue and gross profit which were contributed from the new acquisitions in Tianjin and Shanghai.

*Shanghai*

The acquisition of the Phoenix WGQ Group was completed on 1 November 2013. After the completion, the revenue contribution of Shanghai WGQ for the Fiscal Year 2013 amounted to approximately HK$19,878,000, and the gross profit margin of Shanghai WGQ was approximately 98.08%. The occupancy rate of the warehouses was approximately 78.98% as at 31 December 2013. If the acquisition took place at the beginning of the Fiscal Year 2013, the revenue contributed by the Phoenix WGQ Group would have been approximately HK$119,081,000, and the gross profit margin would have been approximately 98.44%.

*Tianjin*

The acquisition of WSL Logistics was completed on 1 August 2013. After the completion, the revenue contribution of WSL Logistics for the Fiscal Year 2013 amounted to approximately HK$6,510,000 and the gross profit margin of WSL Logistics was 96.96%. The occupancy rate of the warehouses was 87.55% as at 31 December 2013. If the WSL Logistics was acquired at the beginning of the Fiscal Year 2013, the revenue of WSL Logistics contributed to the Group would have been HK$15,397,000, and the gross profit margin would have been approximately 60.08%.

The acquisition of TYWL was completed in 24 September 2013, however, no revenue was contributed for the Fiscal Year 2013 as the construction of the warehouses was not yet completed.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Logistics Business (Continued)

*Beijing*

During the Fiscal Year 2013, the revenue of 北京陸港國際物流有限公司("Lugang") amounted to approximately HK$9,460,000, which represents an increase of approximately HK$1,320,000, or 16.22%, from approximately HK$8,140,000 of the Fiscal Year 2012. The improvement was due to the increase in occupancy rate of warehouses and offices. The occupancy rate of warehouses and offices was approximately 79.65% as at 31 December 2013. The gross profit margin of Lugang was approximately 64.81% as compared with approximately 77.10% of the Fiscal Year 2012. The decrease in gross profit margin was attributable to the increase in repair and maintenance cost for the warehouses.

### Gains on bargain purchases of subsidiaries

During the year, pursuant to various sale and purchase agreements entered into between the Group and the respective vendors, the Group acquired controlling interests in High Broad, High Church, Phoenix WGQ and Oriental Union with an aggregate consideration of approximately HK$1,402,820,000. The aggregate fair values of the net assets acquired at the respective dates of acquisition was approximately HK$1,859,561,000. Accordingly, gains on bargain purchases of subsidiaries of approximately HK$456,741,000 were resulted and recognised in the consolidated statement of profit or loss of current year.

### Other income and gains, net

During the Fiscal Year 2013, the other income and gains, net from continuing operations were approximately HK$131,964,000, which represents an increase of approximately HK$61,313,000, or 86.78%, from approximately HK$70,651,000 of the Fiscal Year 2012. The increase was mainly attributable to the gains on debt restructuring of approximately HK$60,575,000 and gain of foreign exchange differences of approximately HK$20,939,000.

### Selling expenses

During the Fiscal Year 2013, the selling expenses from continuing operations were approximately HK$1,011,000, which represents an increase of approximately HK$161,000, or 18.94%, from approximately HK$850,000 of the Fiscal Year 2012. During the Fiscal Year 2012, selling expenses were incurred in respect of the residential project which had been disposed of in March 2012. During the Fiscal Year 2013, selling expenses were mainly incurred by High Broad and Shanghai WGQ which were newly acquired logistics centers in Tianjin and Shanghai, respectively.

### Administrative expenses

During the Fiscal Year 2013, the administrative expenses from continuing operations were approximately HK$116,214,000, which represents an increase of approximately HK$30,313,000, or 35.29%, from approximately HK$85,901,000 of the Fiscal Year 2012. The increase was mainly attributable to (i) additional administrative expenses of approximately HK$3,718,000 incurred after the acquisition of warehouses in Tianjin and Shanghai during the year; and (ii) the increase in legal and professional fees of approximately HK$14,069,000, which was increased in line with increased acquisitions during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Reversal of provision/(provision) for litigations

During the Fiscal Year 2013, approximately HK$15,766,000 (Fiscal Year 2012: approximately HK$16,489,000) was made for provision for litigations (for interests and overdue penalties on overdue bank loans subject to litigations), however, an agreement for waive of part of the interests was finally entered into between the bank and Lugang in December 2013, pursuant to which Lugang paid approximately RMB57,700,000 (equivalent to approximately HK$72,789,000) to fully settled the bank loans plus the overdue interests and penalties. The settlement had been paid on 9 December 2013. Legal proceedings were then withdrawn by the bank and actions had been taken to release the properties in distraint. An overprovision of approximately RMB122,948,000 (equivalent to approximately HK$155,099,000) was then written back and there was no provision for litigation as at 31 December 2013.

### Other expenses

During the Fiscal Year 2013, the other expenses from continuing operations were approximately HK$9,805,000, which represents a decrease of approximately HK$14,150,000, or 59.07%, from approximately HK$23,955,000 of the Fiscal Year 2012. Other expenses mainly included the equity-settled share option expenses for consultancy services of approximately HK$6,957,000 in the Fiscal Year 2013.

### Finance costs

During the Fiscal Year 2013, the finance costs from continuing operations were approximately HK$37,857,000, which represents a decrease of approximately HK$53,312,000, or 58.48%, from approximately HK$91,169,000 of the Fiscal Year 2012. The significant decrease was mainly due to: (i) less imputed interests was recognised for convertible bonds, which amounted to approximately HK$20,838,000 for the Fiscal Year 2013, as compared to approximately HK$37,646,000 recognised for the Fiscal Year 2012, due to the conversion of convertible bonds by Beijing Enterprises Real Estate (HK) Limited ("BEREHK"), the controlling shareholder of the Company; and (ii) the decrease in loss on early redemption of convertible bonds recognised for the Fiscal Year 2013, which was approximately HK$4,599,000, as compared to approximately HK$35,157,000 for the Fiscal Year 2012.

### Share of loss of a joint venture

北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd.) ("BIPL") is a joint venture (the "JV") of the Group. The share of loss of the JV amounted to approximately HK$16,961,000 of the Fiscal Year 2013, as compared to approximately HK$10,351,000 of the Fiscal Year 2012. The increase was attributable to the increase in equity interest in BIPL from 52% to 76% during the year.

### Share of losses of associates

During the Fiscal Year 2013, the losses of associates shared by the Group amounted to approximately HK$1,086,000, which represents a decrease of approximately HK$3,747,000, or 77.53%, from approximately HK$4,833,000 of the Fiscal Year 2012. The share of losses of current year was mainly attributable to the finance costs and incorporation expenses of 海口安基實業發展有限公司 (Haikou Peace Base Industry Development Co., Ltd.) a 40% associate, the losses of associate shared for the Fiscal Year 2012 represented losses contributed by 北京京津港國際物流有限公司 (Beijing Jing-Jin Ports International Logistics Co., Ltd.). Since no significant improvement in business of it, the Group had disposed 31.04% equity interest of which in Fiscal Year 2013. The remaining 2.33% equity interest held by the Group had been reclassified as an available-for-sale investment as at 31 December 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Total assets

The total assets of the Group as at 31 December 2013 were approximately HK$5,448,227,000, representing an increase of approximately HK$2,355,958,000, or 76.19%, from approximately HK$3,092,269,000 as at 31 December 2012. The increase was mainly attributable to the consolidation of assets from the newly acquired controlling interests in High Broad, High Church, Phoenix WGQ and Oriental Union. In particular, the investment properties increased by HK$2,748,813,000, mainly due to the acquisition of the equity interest in High Broad, High Church and Phoenix WGQ and the fair value increment; and the investment in joint venture increased by HK$634,130,000, mainly due to the acquisition of 24% equity interest in a joint venture company together with the third capital injection to BIPL and the acquisition of 80% equity interest in a joint venture, Guangzhou Guangming, through the acquisition of equity interest in Oriental Union.

### Total liabilities

The total liabilities of the Group as at 31 December 2013 were approximately HK$1,950,795,000, representing a decrease of approximately HK$62,000 from approximately HK$1,950,857,000 as at 31 December 2012. The decrease was mainly due to a combined net effect of: (i) increase of approximately HK$1,354,691,000 arisen from the newly acquired controlling interests in High Broad, High Church, Phoenix WGQ and Oriental Union; (ii) a decrease approximately HK$1,435,723,000 arisen from the exercise of the CB by BEREHK; and (iii) a reversal of provision for litigations during the year.

### Total equity

The total equity attributable to shareholders of the Company as at 31 December 2013 was approximately HK$3,430,199,000, representing an increase of approximately HK$2,273,332,000, or 196.51%, from approximately HK$1,156,867,000 as at 31 December 2012. The increase was mainly attributable to: (i) the issuance of consideration shares for acquisitions; (ii) issuance of shares due to conversion of the convertible bonds by BEREHK; and (iii) profit for the Fiscal Year 2013.

### Liquidity and financial resources

As at 31 December 2013, the Group had total borrowings of approximately HK$1,114,223,000 (2012: approximately HK$1,504,561,000) which included HK$1,112,391,000 from bank and other borrowings and HK$1,832,000 from convertible bonds. The Group's gearing ratio, which was defined as total borrowing as percentage of total assets, was approximately 20.45% (2012: approximately 48.66%). The details of the currencies in which bank and other borrowings are set out in Note 30 to the financial statements. Around 4.25% of bank and other borrowings bear interest at fixed rates. As at 31 December 2013, the Group's cash and bank balance amounted to approximately HK$468,154,000 (2012: HK$1,769,367,000), which was denominated in United States dollars ("USD"), HK$ and RMB amounted to HK$50,904,000, HK$43,013,000 and HK$374,237,000, respectively. The cash and bank balances, together with the unutilised banking facilities, are able to finance the Group's businesses at the moment. As at 31 December 2013, the Group's current ratio and quick ratio were both approximately 124.64% (2012: approximately 115.83%).

### Capital expenditure

During the Fiscal Year 2013, the Group spent approximately HK$2,575,960,000 (2012: approximately HK$954,000) as capital expenditures, which consists of additions of property, plant and equipment, investment properties and prepaid land lease payments, including assets mainly acquired through acquisitions of subsidiaries during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Capital commitments

As at 31 December 2013, the Group had outstanding contracted capital commitments aggregated to HK$2,055,510,000 which comprised of commitments for (i) outstanding capital of RMB1,140,000,000 (equivalent to approximately HK$1,460,003,000) to be contributed into BIPL by the Group calculated based on 76% of the total investment amount of RMB2,000,000,000 (assumed all total investment are constributed by capital injections by shareholders) of BIPL, that is, RMB1,520,000,000, whereas up to 25% of which, amounting to RMB380,000,000, had been invested by the Group; (ii) outstanding consideration of RMB295,620,300 (equivalent to approxiamtely HK$378,603,000) payable for the acquisition of 75% equity interest in 北京金都假日飯店有限公司("Holiday Inn BJ"); (iii) outstanding purchase price of RMB75,792,000 (equivalent to approximately HK$97,068,000) payable to a property developer for an office property acquired for self use by the Group; (iv) outstanding consideration of RMB82,500,000 (equivalent to approximately HK$105,658,000) payable for the acquisition of 天津中漁置業有限公司; and (v) the construction cost of RMB11,242,000 (equivalent to approximately HK14,178,000) committed for warehouse facilities of 衢州通成國際物流有限公司. In addition, the Group had capital commitments of approximately RMB56,350,000 (equivalent to approximately HK$72,167,000) authorised but not contracted for the construction of a new warehouse for the second phase of TYWL.

### Treasury policies

The Group adopts conservative treasury and risk management policies and controls tightly over its cash. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, RMB and USD. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars, RMB and USD.

### Foreign exchange exposure

As at 31 December 2013, majority of the subsidiaries of the Company are operating in the PRC with most of the transactions denominated and settled in RMB. The Phoenix WGQ Group has entered into derivative transactions, including currency options and rate cap transactions, the purpose of which is to manage the currency risks and interest rate risks arising from the Phoenix WGQ Group's sources of finance. The Phoenix WGQ Group's bank borrowings are denominated in USD at floating rates depending on USD LIBOR. The fluctuations of both the exchange rates between USD against RMB and interest rate of USD LIBOR will affect its results of operations. Save as disclosed above, the Group has not used derivative financial instruments to hedge its foreign currency risk.

### Significant investments and acquisitions

1. On 24 December 2012, New Fine International Development Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire from the Hutchison Ports Beijing Limited ("HPBL") the 24% equity interest in BIPL at a consideration of RMB38,520,000. Before the transaction, BIPL was 52%-owned by the Group and HPBL held 24% equity interest in BIPL. The transaction was completed on 18 February 2013 and the Group held 76% equity interest in BIPL afterwards. Further details of this transaction are set out in the Company's announcements dated 24 December 2012 and 18 February 2013, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

**Significant investments and acquisitions (Continued)**

2. On 6 March 2013, the Company entered into a framework agreement with Well Luck Group Limited ("Well Luck") and 天津萬士隆集團有限公司 (Tianjin Wanshilong Group Co., Ltd.) ("TWGCL"), pursuant to which the Company conditionally agreed to purchase and Well Luck and TWGCL conditionally agreed to sell certain shares and shareholder loan to the Company, which consisted of: (1) 100% equity interest in High Broad for a total consideration of RMB77,900,000; (2) 70% equity interest and 70% shareholder loan in High Church for a total consideration of RMB56,056,000; and (3) 36.07% equity interest in WSL Logistics for a total consideration of RMB23,600,000. The transactions was completed on 1 August 2013 and 24 September 2013, respectively. Following the completions, High Broad, which holds 70% equity interest in WSL Logistics, became a wholly owned subsidiary of the Company, and High Church, which holds the entire equity interest in TYWL, became a 70% equity-held subsidiary of the Company. Further details of these transactions are set out in the Company's announcements dated 6 March 2013, 1 August 2013 and 24 September 2013, respectively.

3. On 20 June 2013, the Company entered into an agreement with Regal Dragon (Hong Kong) Limited ("Regal Dragon") in relation to the purchase of the entire issued share capital of Peace Base Holdings Limited ("Peace Base") which holds 40% equity interest in Haikou Peace Base. The consideration was RMB40,000,000. The transaction was completed on 10 July 2013, and Peace Base became a wholly-owned subsidiary while Haikou Peace Base became an indirectly held associate of the Company. Further details of this transaction are set out in the Company's announcement dated 20 June 2013.

4. On 8 August 2013 China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a wholly-owned subsidiary of the Company and the Phoenix Real Estate Fund Wai Gao Qiao (Cayman Islands) Limited ("Phoenix Real Estate Fund"), entered into an agreement, pursuant to which, China Logistics conditionally agreed to purchase and Phoenix Real Estate Fund conditionally agreed to sell, the entire issued share capital of Phoenix WGQ, which holds the entire equity interest in Shanghai WGQ, for a total consideration of USD143,888,734, which was subjected to adjustment in accordance with the difference between the benchmark of approximately USD104,686,216 being Phoenix WGQ's unaudited consolidated net asset value as at 31 May 2013 and Phoenix WGQ's unaudited consolidated net asset value as at the completion date, but no adjustment will be made in respect of the changes in the value of the property. The transaction was duly approved at the SGM on 19 October 2013 and was completed on 1 November 2013, and Phoenix WGQ became a wholly owned subsidiary of China Logistics since then. Further details of this transaction are set out in the Company's announcements dated 8 August 2013 and 1 November 2013 and the circular dated 26 September 2013, respectively.

5. On 18 October 2013, Company entered into an agreement pursuant to which Illumination Holdings Limited ("Illumination") agreed to dispose of and the Company agreed to acquire (1) Illumination's 99.9% interest in the issued share capital of Oriental Union Investments Limited ("Oriental Union"); (2) a shareholder loan; and (3) liabilities and obligations under the BHL security documents (including the Company will enter into the company security documents in favour of the Bank). The consideration for the acquisition was HK$50,372,040. The transaction was duly approved at the SGM on 30 December 2013. The transaction was completed on 31 December 2013. Oriental Union became a 99.9% owned subsidiary of the Company. Oriental Union holds 80% equity interest in 廣州光明房產建設有限公司, which in turn holds 100% equity interest in 廣州市金溱物業管理有限公司. Further details of this transaction are set out in the Company's announcements dated 18 October 2013 and 31 December 2013, respectively and a circular dated 11 December 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

**Significant investments and acquisitions (Continued)**

6. On 28 October 2013, Rich Day Investment Development Limited ("Rich Day"), a wholly-owned subsidiary of the Company, and 北京京華信託投資公司破產管理人 (Insolvency Administrator of Beijing Jinghua Trust and Investment Corporation) ("Insolvency Administrator BJ Jinghua") entered into an agreement, pursuant to which, the Insolvency Administrator BJ Jinghua conditionally agreed to sell and the Rich Day conditionally agreed to purchase 75% equity interest in Holiday Inn BJ at the consideration of RMB415,620,300. Following the completion of this acquisition, Rich Day shall directly hold 75% equity interest of Holiday inn BJ. The transaction was duly approved at the SGM on 12 February 2014. As at the date of this report, the transaction is subject to fulfilment to certain conditions precedent and has not been completed. Further details of this transaction are set out in the Company's announcement and circular dated on 28 October 2013 and 24 January 2014, respectively.

7. On 29 November 2013, On Mega Limited ("On Mega"), an indirect wholly-owned subsidiary of the Company, signed a capital injection agreement and a joint venture agreement with the original shareholders of 天津中漁置業有限公司 (Tianjin Zhongyu Properties Co., Ltd) ("TJ Zhongyu"), whereby On Mega agreed to inject sums of RMB82,500,000 into TJ Zhongyu for a construction project of a cold chain logistics distribution centre of aquatic products in the 天津市中心漁港經濟區 (Tianjin Marine Economic Area). Upon completion of the capital injection, the equity holding of On Mega in TJ Zhongyu will be in the range of 60% to 68.2% and TJ Zhongyu will become a subsidiary of the Company. As at the date of this report, the transaction is subject to fulfilment of certain conditions precedent and has not been completed. Further details of this transaction are set out in the Company's announcement dated on 29 November 2013.

Save as disclosed above, the Group had no material significant investments and acquisitions of subsidiaries and affiliated companies during the Fiscal Year 2013.

**Charges on assets**

As at 31 December 2013, (1) the Group had entrusted loans with principal amount of RMB28,000,000 (equivalent to approximately HK$35,860,000), which were secured by floating charges over certain investment properties, buildings and prepaid land lease payments of a subsidiary of the Company with aggregated carrying amount of approximately HK$143,285,000; and (2) the Group had bank loans with principal amount USD120,000,000 (equivalent to approximately HK$933,600,000), which were secured by investment properties, derivative financial instruments, cash and bank balances and trade receivables of the Phoenix WGQ Group, the equity interest of Phoenix WGQ held by China Logistics (shareholder of the Phoenix WGQ), and the equity interest of Shanghai WGQ held by Phoenix WGQ. In addition, bank loans of China Logistics, Phoenix WGQ, Shanghai WGQ, Oriental Union and Guangzhou Guangming are guaranteed by the Company.

As at 31 December 2012, the Group had entrusted loans with principal amount of RMB28,000,000 (equivalent to approximately HK$34,484,000), which were secured by floating charges over the investment properties, buildings and prepaid land lease payments of a subsidiary of the Company with aggregated carrying amount of approximately RMB115,579,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Litigations

As at 31 December 2013, the Group had no pending litigation. As at 31 December 2012, total gross floor area of two buildings of approximately 11,585.25 square metres with the related land area of 7,427.54 square metres held by Lugang were distrained by 北京市朝陽區人民法院 (Beijing Chaoyang District People's Court), due to the Legal Proceedings in Lugang.

### Employees and remuneration policies

As at 31 December 2013, the Group had a total of 134 (2012: 108) employees. Total staff cost from continuing operations incurred during the Fiscal Year 2013 amounted to approximately HK$62,001,000 (2012: approximately HK$49,427,000) (including staff cost, directors' remuneration and equity settled option expenses). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

# CORPORATE GOVERNANCE REPORT

The Company strongly committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year, except for certain deviations disclosed herein below.

## BOARD OF DIRECTORS

### Composition and role

The Board currently consists of fourteen directors: comprising nine executive Directors, namely, Mr. Yu Li, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Xu Taiyan, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Ang Renyi; and five independent non-executive Directors ("INED(s)"), namely, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Ma Chiu Cheung, Andrew, Mr. Zhu Wuxiang and Mr. James Chan. One of the INEDs, namely, Mr. Ma Chiu Cheng, Andrew, has the professional and accounting qualifications required by the Listing Rules. The principal function of the Board is to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisitions and disposal, connected transactions, and monitoring the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the chief executive officer, chief financial officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. Newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2013.

| Directors | Read materials | Attending seminars/ briefing |
|---|---|---|
| **Executive director** | | |
| Mr. Yu Li | ✓ | |
| Mr. Qian Xu | ✓ | |
| Mr Xu Taiyan | ✓ | |
| Mr. Jiang Xinhao | ✓ | |
| Ms. Meng Feng | ✓ | |
| Mr. Siu Kin Wai | ✓ | ✓ |
| Mr. Yu Luning | ✓ | ✓ |
| Mr. Liu Xueheng | ✓ | |
| Mr. Ang Renyi | ✓ | |
| Mr. Zhou Si (resigned on 21 January 2014) | ✓ | |
| **Independent non executive director** | | |
| Mr. Goh Gen Cheung | ✓ | ✓ |
| Mr. Ma Chiu Cheung, Andrew | ✓ | ✓ |
| Mr. Ng Tang Fai, Ernesto | ✓ | ✓ |
| Mr. Zhu Wuxiang | ✓ | |
| Mr. James Chan | ✓ | ✓ |

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2013 were set out below:

| | Board meeting | Audit committee meeting | Remuneration committee meeting | Nomination committee meeting | General meeting |
|---|---|---|---|---|---|
| **Number of meetings held** | 6 | 3 | 2 | 1 | 4 |
| **Name of director** | | | **Number of meetings attended** | | |
| **Executive directors** | | | | | |
| Mr. Yu Li | 4/6 | N/A | N/A | N/A | 0/4 |
| Mr. Qian Xu | 5/6 | N/A | N/A | 1/1 | 0/4 |
| Mr. Siu Kin Wai | 6/6 | N/A | N/A | N/A | 4/4 |
| Mr. Xu Taiyan | 4/6 | N/A | N/A | N/A | 0/4 |
| Mr. Jiang Xinhao | 5/6 | N/A | N/A | N/A | 0/4 |
| Ms. Meng Fang | 4/6 | N/A | N/A | 1/1 | 0/4 |
| Mr. Yu Luning | 4/6 | N/A | 1/2 | 0/1 | 0/4 |
| Mr. Liu Xueheng | 5/6 | N/A | N/A | N/A | 0/4 |
| Mr. Ang Renyi | 5/6 | N/A | N/A | N/A | 0/4 |
| Mr. Zhou Si (resigned on 21 January 2014) | 5/6 | N/A | N/A | N/A | 0/4 |
| **Independent non-executive directors** | | | | | |
| Mr. Goh Gen Cheung | 6/6 | 3/3 | 2/2 | 1/1 | 3/4 |
| Mr. Ma Chiu Cheung, Andrew | 6/6 | 3/3 | 2/2 | 1/1 | 3/4 |
| Mr. Ng Tang Fai, Ernesto | 6/6 | 3/3 | 2/2 | 1/1 | 3/4 |
| Mr. Zhu Wuxiang | 5/6 | 2/3 | N/A | N/A | 1/4 |
| Mr. James Chan | 6/6 | 3/3 | 2/2 | 1/1 | 4/4 |

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

To improve the performance quality of the Company, the Board approved to adopt the board diversity policy on 30 August 2013. The Board believes that board member diversity can be achieved by considering various factors, including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge, term of services and other talents. All Board appointments are made with reference to the Company's business models and specific needs from time to time, and candidates will be considered with due regard for the benefits of diversity on the Board if allowed by objective business conditions. The nomination committee will be mainly responsible for identifying suitable and competent candidates for board members, and considering such candidates in light of objective conditions. As a part of the review on the annual performance of the Board, considerations made by the nomination committee will balance the skills and experience as required by business targets of the Company with diversity factors. To achieve board diversity, the nomination committee will discuss and develop measurable objectives from time to time, and propose the above to the Board for adoption and implementation. Generally speaking, selection of candidates by the nomination committee shall be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge and term of services. However, the final decision will depend on the strengths of candidates and their prospective contributions to the Board. The Board may improve one or more diversity perspectives from time to time, and implement the upgraded measurements. The nomination committee will review the policy from time to time, including conducting assessments on the effectiveness of the policy. The nomination committee will also discuss any amendment that may be necessary, and submit amendment proposals to the Board for approval.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 31 December 2013, the positions of the chairman and the chief executive officer of the Company were held separately. The chairman of the Company is Mr. Zhou Si and the chief executive officer of the Company is Mr. Qian Xu. The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

## DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year ended under review.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the CG Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2013, except as disclosed herein below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under the code provision E.1.2, the chairman of the Board should attend the Annual General Meeting and invite the chairmen of Audit, Remuneration, Nomination and any other committees (as appropriate) to attend. However, in the Annual General meeting held on 14 June 2013 (the "2013 AGM"), our chairman was unable to attend the meeting due to his other commitments. He has appointed Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company to chair the meeting on his behalf and chairmen of the Audit, Remuneration and Nomination Committees had also attended the 2013 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

## BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

### Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan. The Audit Committee is chaired by Mr. Ma Chiu Cheung, Andrew who is the founder and a former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited) and has over 30 years of experience in the field of corporate advisory and assurance and finance. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and the review of the Group's internal controls and risk management. In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

2. to review and monitor the training and continuous professional development of directors and senior management;

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (Continued)

### Audit Committee (Continued)

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

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

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

Summary of the work during the year, the Audit Committee reviewed the financial statements for interim and annual results, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance.

The Group's annual report for the year ended 31 December 2013 has been reviewed by the Audit Committee.

For details of the terms of reference of Audit Committee, please refer to the Company's website (www.bphl.com.hk) under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

### Investment and Risk Management Committee

The Investment and Risk Management Committee was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

The members of the Investment and Risk Management Committee are Mr. Liu Xueheng (Chairman), Mr. Qian Xu, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang, and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are executive Directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of independent non-executive Directors to join the committee to provide independent and professional opinion.

Summary of work done during the year, the Investment and Risk Management Committee reviewed and assessed all acquisitions and investments proposed by the senior management in terms of their benefits to the Company and the potential risks associated.

For details of the terms of reference of Investment and Risk Management Committee, please refer to the Company's website under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (Continued)

### Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. James Chan and Mr. Yu Luning. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management with the Board retaining the final authority to approve executive directors' and senior management remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his own remuneration.

Summary of work done during the year, the Remuneration Committee have reviewed remuneration policy and oversee the remuneration packages of executive directors and senior management taking consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

For details of the terms of reference of Remuneration Committee, please refer to the Company's website under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

### Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. James Chan, Mr. Qian Xu, Ms. Meng Fang and Mr. Yu Luning. The Board adopted a set of the terms of reference of the Nomination Committee effective from 30 August 2013, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Nomination Committee is mainly responsible for formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of directors and board succession.

Summary of work done during the year, the Nomination Committee have reviewed the size, structure, composition, capability and diversity of the Board.

For details of the terms of reference of Nomination Committee, please refer to the Company's website under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

During the year under review, external auditors remuneration for audit services was approximately HK$3.4 million of which HK$2.4 million and HK$1.0 million were for annual audit service and for acting as reporting accountants in the Group's acquisition transaction respectively; and external auditors remuneration for non-audit service assignments was approximately HK$2.5 million, which represented agree-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments for potential acquisition. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

## INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework.

During the year ended 31 December 2013, the Board reviewed the operational and financial reports, budgets and business plans provided by the management.

The Board has conducted a review of the effectiveness of the system of internal controls of the Company. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study periodically, sometimes will be done with assistance from independent experts, to review and enhance the internal control system.

## COMPANY SECRETARY

The company secretary of the Company is Mr. Siu Kin Wai, who is also the chief financial officer and executive Director of the Company and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Certified Accountants in England and Wales. Mr. Siu has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 46 to 47 of the "Independent Auditors' Report" in this annual report.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### Convening a special general meeting by shareholders ("SGM")

The Board shall be on the written requisition of shareholders of the Company 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 carrying the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's head office and principal place of business in Hong Kong.

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

### Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

### Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the bye-laws of the Company ("Bye-laws") and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.

4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.

5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

### Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the financial year ended 31 December 2013, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the "investor relations" section of the Company's website.

The above measures will provide shareholders with the latest development of the Group as well as the residential, commercial and logistics property industry.

### Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 29 June 2012.

An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

# REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 19 to the financial statements. The Group is principally engaged in the development and leasing of logistics and commercial properties. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 48 to146. The Board does not recommend the payment of any dividend for the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2013 are set out on page 148. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 147.

## SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 34, 35 and 31 to the financial statements.

## 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.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36(b) to the financial statements and the consolidated statement of changes in equity, respectively.

# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves (including contributed surplus and retained profits) available for distribution to shareholders amounted to HK$457,347,000.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of HK$423,880,000 as at 31 December 2013, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

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

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

In addition, the Company's share premium account, in the amount of HK$1,400,021,000, as at 31 December 2013 can be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 43% of the Group's revenue for the year and revenue from the largest customer accounted for 16% of the Group's revenue for the year. Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchase for the year.

Except for the transaction with Beijing Leading Edge Container Services Company Limited, which is an associate of a substantial shareholder of the Company, further details of which are set out in the section with heading "Continuing connected transactions" below, none of the Directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five customers and suppliers.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

**Executive directors:**

Mr. Yu Li *(Vice Chairman)*
Mr. Qian Xu *(Chief Executive Officer)*
Mr. Siu Kin Wai *(Chief Financial Officer and Company Secretary)*
Mr. Xu Taiyan
Mr. Jiang Xinhao
Ms. Meng Fang
Mr. Yu Luning
Mr. Liu Xueheng
Mr. Ang Renyi
Mr. Zhou Si (Chairman, resigned on 21 January 2014)

**Independent non-executive directors ("INEDs"):**

Mr. Goh Gen Cheung
Mr. Ma Chiu Cheung, Andrew
Mr. Ng Tang Fai, Ernesto
Mr. Zhu Wuxiang
Mr. James Chan

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Yu Li, Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, and Mr. Zhu Wuxiang shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

## BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out as follows:

## BOARD CHANGES

Mr. Zhou Si resigned as an executive director and chairman of the Company and re-designated as the Company's consultant with effect from 21 January 2014.

Mr. Liu Xueheng was appointed as a chairman of the investment and risk management committee with effect from 1 September 2013.

Mr. Ang Renyi was appointed as a member of the investment and risk management committee with effect from 1 September 2013.

# REPORT OF THE DIRECTORS

## CHANGES IN DIRECTORS' INFORMATION

Mr. Ma Chiu Cheung, Andrew he retired to serve as an non-executive director of Asian Citrus Holdings Limited, a company listed on the AIM Board of the London Stock Exchange (AIM stock code: ACH) and on the SEHK (SEHK stock code: 73)with effect from 12 November 2013.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 4 to 7 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Tai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan, INEDs of the Company, had entered into service agreements with the Company for a term of three years commencing on 1 May 2013, 1 May 2013, 1 May 2013, 1 January 2014 and 3 June 2011, respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 26 of this annual report.

## EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The Company has adopted a share option scheme as incentives to Directors and eligible employees, details of the scheme is set out in note 35 to the financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS AND CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company or any of its holding companies, subsidiaries and 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.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

**Long position in the ordinary shares of the Company:**

| Name of Director | Nature of interest | Number of shares held | Approximate percentage of the Company's issued share capital (%) |
|---|---|---|---|
| Mr. Yu Luning | Beneficial owner | 2,476,000 | 0.040 |

**Long position in underlying shares of the Company:**

The interests of the Directors and chief executive in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company. The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 35 to the financial statements.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2013:

| | Number of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name or category of participant | At 1 January 2013 | Granted during the year (Note 2) | Exercised during the year (Note 2) | Cancelled during the year | Forfeited during the year | At 31 December 2013 | Date of grant of share options (Note 1) | Exercise period of share options | Exercise price of share options HK$ per share (Note 1) |
| **Directors:** | | | | | | | | | |
| Mr. Zhou Si* | 7,000,000 | – | – | – | – | 7,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 5,000,000 | – | – | – | – | 5,000,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 12,000,000 | – | – | – | 12,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 12,000,000 | 12,000,000 | – | – | – | 24,000,000 | | | |
| Mr. Yu Li | 6,000,000 | – | – | – | – | 6,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 4,250,000 | – | – | – | – | 4,250,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 11,000,000 | – | – | – | 11,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 10,250,000 | 11,000,000 | – | – | – | 21,250,000 | | | |
| Mr. Qian Xu | 6,000,000 | – | – | – | – | 6,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 6,000,000 | – | – | – | – | 6,000,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 10,000,000 | – | – | – | 10,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 12,000,000 | 10,000,000 | – | – | – | 22,000,000 | | | |
| Mr. Xu Taiyan | 5,000,000 | – | – | – | – | 5,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 5,000,000 | – | – | – | – | 5,000,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 6,000,000 | – | – | – | 6,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 10,000,000 | 6,000,000 | – | – | – | 16,000,000 | | | |
| Mr. Jiang Xinhao | 5,000,000 | – | – | – | – | 5,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 3,300,000 | – | – | – | – | 3,300,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 6,000,000 | – | – | – | 6,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 8,300,000 | 6,000,000 | – | – | – | 14,300,000 | | | |
| Ms. Meng Fang | 5,000,000 | – | – | – | – | 5,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 5,000,000 | – | – | – | – | 5,000,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 6,000,000 | – | – | – | 6,000,000 | 24-May-13 | 24-May-13 to 23-May 23 | 0.574 |
| | 10,000,000 | 6,000,000 | – | – | – | 16,000,000 | | | |

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

| Name or category of participant | Number of share options: At 1 January 2013 | Granted during the year (Note 2) | Exercised during the year (Note 2) | Cancelled during the year | Forfeited during the year | At 31 December 2013 | Date of grant of share options (Note 1) | Exercise period of share options | Exercise price of share options HK$ per share (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| Mr. Siu Kin Wai | 5,000,000 | – | – | – | – | 5,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 5,000,000 | – | – | – | – | 5,000,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 6,000,000 | – | – | – | 6,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 10,000,000 | 6,000,000 | – | – | – | 16,000,000 | | | |
| Mr. Yu Luning | 5,000,000 | – | – | – | – | 5,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 5,000,000 | – | – | – | – | 5,000,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 4,000,000 | – | – | – | 4,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 10,000,000 | 4,000,000 | – | – | – | 14,000,000 | | | |
| Mr. Liu Xueheng | 5,000,000 | – | – | – | – | 5,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | – | 4,000,000 | – | – | – | 4,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 5,000,000 | 4,000,000 | – | – | – | 9,000,000 | | | |
| Mr. Ang Renyi | – | 4,000,000 | – | – | – | 4,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| Mr. Goh Gen Cheung | 2,000,000 | – | – | – | – | 2,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 1,837,700 | – | – | – | – | 1,837,700 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 2,000,000 | – | – | – | 2,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 3,837,700 | 2,000,000 | – | – | – | 5,837,700 | | | |
| Mr. Ma Chiu Cheung, Andrew | 2,000,000 | – | – | – | – | 2,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 1,837,700 | – | – | – | – | 1,837,700 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 2,000,000 | – | – | – | 2,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 3,837,700 | 2,000,000 | – | – | – | 5,837,700 | | | |

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

| Name or category of participant | At 1 January 2013 | Granted during the year (Note 2) | Exercised during the year (Note 2) | Cancelled during the year | Forfeited during the year | At 31 December 2013 | Date of grant of share options (Note 1) | Exercise period of share options | Exercise price of share options HK$ per share (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| | Number of share options | | | | | | | | |
| Mr. Ng Tang Fai, Ernesto | 2,000,000 | – | – | – | – | 2,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 1,837,700 | – | – | – | – | 1,837,700 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 2,000,000 | – | – | – | 2,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 3,837,700 | 2,000,000 | – | – | – | 5,837,700 | | | |
| Mr. Zhu Wuxiang | 2,000,000 | – | – | – | – | 2,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | – | 2,000,000 | – | – | – | 2,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 2,000,000 | 2,000,000 | – | – | – | 4,000,000 | | | |
| Mr. James Chan | 2,000,000 | – | – | – | – | 2,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | – | 2,000,000 | – | – | – | 2,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 2,000,000 | 2,000,000 | – | – | – | 4,000,000 | | | |
| **Other employees and consultants in aggregate:** | 141,000,000 | – | – | – | – | 141,000,000 | 28-October-11 | 28-October-11 to 27-October-21 | 0.465 |
| | 258,850,000 | – | (300,000) | – | – | 258,550,000 | 1-June-12 | 1-June-12 to 31-May-22 | 0.410 |
| | – | 101,000,000 | – | – | – | 101,000,000 | 24-May-13 | 24-May-13 to 23-May-23 | 0.574 |
| | 399,850,000 | 101,000,000 | (300,000) | – | – | 500,550,000 | | | |
| | 502,913,100 | 180,000,000 | (300,000) | – | – | 682,613,100 | | | |

* Mr. Zhou Si has been re-designated as the Company's consultant upon his resignation from executive director on 21 January 2014.

Notes:

1 The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2 The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$0.54 per share. The closing price of the Company's shares immediately before the date on which the options were granted during the year was HK$0.53 per share.

3 Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

The Directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

| Grantee | Number of share options granted during the year | Theoretical value of share options (HK$'000) |
|---|---|---|
| Mr. Zhou Si (resigned on 21 January 2014 and re-designated as a consultant of the Company) | 12,000,000 | 3,139 |
| Mr. Yu Li | 11,000,000 | 2,878 |
| Mr. Qian Xu | 10,000,000 | 2,616 |
| Mr. Xu Taiyan | 6,000,000 | 1,570 |
| Mr. Jiang Xinhao | 6,000,000 | 1,570 |
| Ms. Meng Fang | 6,000,000 | 1,570 |
| Mr. Siu Kin Wai | 6,000,000 | 1,570 |
| Mr. Yu Luning | 4,000,000 | 1,046 |
| Mr. Liu Xueheng | 4,000,000 | 1,046 |
| Mr. Ang Renyi | 4,000,000 | 1,046 |
| Mr. Goh Gen Cheung | 2,000,000 | 523 |
| Mr. Ma Chiu Cheung, Andrew | 2,000,000 | 523 |
| Mr. Ng Tang Fai, Ernesto | 2,000,000 | 523 |
| Mr. Zhu Wuxiang | 2,000,000 | 523 |
| Mr. James Chan | 2,000,000 | 523 |
| Other employees and consultants | 101,000,000 | 16,155 |
| | 180,000,000 | 36,821 |

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Asset Appraisal Limited, independent qualified professional valuers, using binomial model on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

For the year ended 31 December 2013, the Group recognised the total expense of HK$36,821,000 (2012: HK$43,073,000) in relation to share options granted by the Company.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, so far as was known to the directors of chief executive of the following persons (not being Directors or chief executive of the Company) had, an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

**Long positions in shares and underlying shares of the Company:**

| Name | Notes | Number of shares held, capacity and nature of interest: Directly beneficially owned | Through a controlled corporation | Total | Approximate percentage of the Company's issued share capital (%) |
|---|---|---|---|---|---|
| Brilliant Bright Holdings Limited | (a) | 1,557,792,500 | – | 1,557,792,500 | 24.95% |
| Beijing Enterprises Real Estate (HK) Limited | (b) | 2,417,076,407 | 1,557,792,500 | 3,974,868,907 | 63.67% |
| 北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd.) | (c) | – | 3,974,868,907 | 3,974,868,907 | 63.67% |
| Illumination Holdings Limited | (d) | 87,451,458 | – | 87,451,458 | 1.40% |
| Beijing Holdings Limited | (e) | – | 87,451,458 | 87,451,458 | 1.40% |
| Beijing Enterprises Group Company Limited | (f) | – | 4,062,320,365 | 4,062,320,365 | 65.07% |
| Thular Limited | (g) | 354,400,000 | – | 354,400,000 | 5.68% |
| Kerry Holdings Limited | (g) | – | 354,400,000 | 354,400,000 | 5.68% |
| Kerry Group Limited | (g) | – | 354,400,000 | 354,400,000 | 5.68% |

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") directly holds 1,557,792,500 shares.

(b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) directly holds 2,417,076,407 shares and (ii) is deemed to be interested in the 1,557,792,500 shares by virtue of its controlling interests in its wholly-owned subsidiary, Brilliant Bright.

(c) BEREHK is a wholly-owned subsidiary of BE Real Estate. BE Real Estate is deemed to be interested in the shares which BEREHK is interested in.

(d) Illumination Holdings Limited ("Illumination") directly holds 87,451,458 shares.

(e) Illumination is a wholly-owned subsidiary of Beijing Holdings Limited ("BHL"). BHL is deemed to be interested in the shares which Illumination is interested in.

(f) BE Real Estate and BHL are wholly-owned subsidiaries of Beijing Enterprises Group Company Limited (BE Group"). BE Group is deemed to be interested in the shares which BE Real Estate and BHL are interest in.

(g) Thular Limited ("Thular") (formerly known as Timekey Limited) is the beneficial owner of 354,400,000 shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the said shares.

(h) Mr. Siu Kin Wai is a director of the Company and Brilliant Bright.

(i) Mr. Qian Xu is a director of the Company, Brilliant Bright and BE Real Estate.

(j) Mr. Yu Li and Mr. Jiang Xinhao are directors of the Company and BE Real Estate.

Save as disclosed above, as at 31 December 2013, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 43 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.45 of the Listing Rules are provided in the paragraph headed "Connected Transactions" as identified below.

# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### Connected transactions

On 18 October 2013, the Company entered into an agreement with, among others, Illumination, a fellow subsidiary, pursuant to which with a consideration of HK$50,372,040, satisfied by the Company issuing and allotting to Illumination 87,451,458 new ordinary shares of the Company, Illumination agreed to sell and the Company agreed, among other things, to acquire all Illumination's rights and title to and interest in (i) the 99.9% of the issued share capital of Oriental Union Investments Limited ("Oriental Union"); (ii) 51% of an interest free shareholders loan in the principal amount of HK$87,999,020 owing by Oriental Union to its original shareholder and subsitution by the Company in place of Illumination and/or another fellow subsidiary to (i) provide a corporate guarantee of up to an amount of approximately HK$419,441,000 and (ii) charge the 99.9% equity interests of Oriental Union, in favour of a bank. Further details of the transaction are included in note 37(a)(iv) to the financial statements.

### Continuing connected transactions

The Group carried out following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

(a) On 17 April 2012, Beijing Yun Zhong Investment Consulting Co., Ltd（北京允中投資咨詢有限公司）, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Beijing Holdings Limited (a then controlling shareholder of the Company and currently a fellow subsidiary of the Company), in respect of renting an office which located at 10th Floor, Jing Tai Building, C24 Jian Guo Men Wai Avenue, Beijing, PRC. Further details of the tenancy agreement are set out in the Company's announcement dated 17 April 2012. During the year ended 31 December 2013, the rental expense for the above office premises was approximately RMB1,441,224 (equivalent to HK$1,818,000).

(b) On 31 December 2012, 北京陸港國際物流有限公司 ("Lugang"), a non-wholly owned subsidiary of the Company, entered into tenancy agreements with Beijing Leading Edge Container Services Company Limited, an associate of a substantial shareholder, in respect of leasing a warehouse of approximately 3,100 square metres which located at Zone A, No. A1, Dongsihuan, Nanlu Chaoyang District, Beijing, PRC (the "Zone A Premises"); and leasing a warehouse of approximately 8,023 square metres, platform office of 194.40 square metres and an office of 260 square metres which located at Zone B, No.1 A1 Dongsihuan, Nanlu Chaoyang District, Beijing, PRC (the "Zone B Premises"). Further details of the tenancy agreements are set out in the Company's announcement dated 31 December 2013. During the year ended 31 December 2013, the rental income for the above Zone A Premises was RMB781,200 (equivalent to approximately HK$985,000), the rental income for the above Zone B Premises was RMB1,906,510 (equivalent to approximately HK$2,405,000).

(c) On 1 August 2013, 天津萬士隆國際物流有限公司 ("WSL Logistics"), a non-wholly owned subsidiary of the Company, entered into tenancy agreements with 天津萬士隆集團有限公司 ("Tianjin WSL"), 天津萬士隆物業管理有限公司 ("Tianjin WSL Estate Management"), 天津君融實業有限公司 ("Tianjin Junrong") and 天津萬士隆貨運有限公司 ("Tianjin WSL Huoyun"). Tianjin WSL holds 30% equity interest in each of WSL Logistics and Tianjin WSL Huoyun and 100% equity interest, in each of Tianjin WSL Estate Management and Tianjin Junrong.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Continued)

(c) (Continued)

Details of the tenancy agreements are as follows:

| Tenant | | Premises | Approximate area | Rental income for the year ended 31 December 2013 |
|---|---|---|---|---|
| 1. | Tianjin WSL | Office at Zone E1-101 of the Customs Warehouse, Tianjin, PRC | 339.29 square metres | RMB93,881 (equivalent to approximately HK$117,000) |
| 2. | Tianjin WSL Estate Management | Office at Zone E2-101 of the Customs Warehouse, Tianjin, PRC | 182.45 square metres | RMB49,946 (equivalent to approximately HK$63,000) |
| | | Warehouse at Zone A16 of the Customs Warehouse, Tianjin, PRC | 601.5 square metres | RMB86,300 (equivalent to approximately HK$109,000) |
| 3. | Tianjin Junrong | Office at Zone E2-102 of the Customs Warehouse, Tianjin, PRC | 156.84 square metres | RMB42,935 (equivalent to approximately HK$54,000) |
| 4. | Tianjin WSL Huoyun | Office at Zone C 2/F-C100 of the Customs Warehouse, Tianjin, PRC | 375.16 square metres | RMB69,119 (equivalent to approximately HK$87,000) |
| | | Warehouse at Zone B15 of the Customs Warehouse, Tianjin, PRC | 387.22 square metres | RMB83,334 (equivalent to approximately HK$105,000) |

In addition, pursuant to a management service agreement entered into between WSL Logistics and Tianjin WSL Estate Management. WSL Logistics acquired estate management services from Tianjin WSL Estate Management. During the year ended 31 December 2013, the management fee expense was RMB125,000 (equivalent to approximately HK$158,000).

Further details of the tenancy agreements and the management agreement were set out in the Company's announcement dated 1 August 2013.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Continued)

The Directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

## SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Group's loan agreements, which contains a covenant requiring a performance obligation of the controlling shareholder of the Company. Pursuant to a loan agreement dated 1 November 2013 between the Company and CHINA CITIC Bank International Limited, relating to a three-year loan facility of USD120 million (equivalent to approximately HK$936 million), a termination event would arise if 北京控股集團有限公司 (Beijing Enterprises Group Company Limited), the Company's ultimate holding company, ceased to own beneficially, directly or indirectly, at least 40% of the shares in the Company's issued capital.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Board, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## EVENT AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 47 to the financial statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the financial year ended 31 December 2013 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

# REPORT OF THE DIRECTORS

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code, except as disclosed in Corporate Governance Report.

## AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

## APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2013 were approved by the Board on 28 March 2014.

ON BEHALF OF THE BOARD
**Yu Li**
*Vice Chairman*

Hong Kong
28 March 2014

# INDEPENDENT AUDITORS' REPORT

Ernst & Young
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**To the shareholders of Beijing Properties (Holdings) Limited**
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 146, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

## OPINION

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

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

28 March 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| REVENUE | 5 | **35,848** | 11,007 |
| Cost of sales and services | | **(3,909)** | (3,729) |
| Gross profit | | **31,939** | 7,278 |
| Gain on deregistration and disposal of subsidiaries | 6 | **5,187** | 35,272 |
| Gains on bargain purchases of subsidiaries | 37 | **456,741** | – |
| Other income and gains, net | 5 | **131,964** | 70,651 |
| Selling expenses | | **(1,011)** | (850) |
| Administrative expenses | | **(116,214)** | (85,901) |
| Reversal of provision/(provision) for litigations, net | 32 | **139,333** | (16,489) |
| Fair value gain on investment properties, net | 16 | **193,801** | 6,952 |
| Other expenses | | **(9,805)** | (23,955) |
| Finance costs | 7 | **(37,857)** | (91,169) |
| Share of losses of: | | | |
| A joint venture | 20(a)(ii) | **(16,961)** | (10,351) |
| Associates | 21(b) | **(1,086)** | (4,833) |
| PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS | 8 | **776,031** | (113,395) |
| Income tax | 11 | **(53,228)** | (632) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | | **722,803** | (114,027) |
| **DISCONTINUED OPERATION** | | | |
| Profit for the year from a discontinued operation | 12 | **–** | 5,674 |
| PROFIT/(LOSS) FOR THE YEAR | | **722,803** | (108,353) |
| Attributable to: | | | |
| Shareholders of the Company | 13 | **700,962** | (97,769) |
| Non-controlling interests | | **21,841** | (10,584) |
| | | **722,803** | (108,353) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | 14 | | |
| Basic: | | | |
| – For profit/(loss) for the year | | **HK11.23 cents** | HK(2.55) cents |
| – For profit/(loss) from continuing operations | | **HK11.23 cents** | HK(2.70) cents |
| Diluted: | | | |
| – For profit/(loss) for the year | | **HK9.35 cents** | HK(2.55) cents |
| – For profit/(loss) from continuing operations | | **HK9.35 cents** | HK(2.70) cents |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **PROFIT/(LOSS) FOR THE YEAR** | | **722,803** | (108,353) |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | | |
| – Exchange differences: | | | |
| Translation of foreign operations | | **44,893** | (7,605) |
| Reclassification adjustments for gain on disposal and deregistration of subsidiaries included in profit or loss | 38 | **2,859** | (9,653) |
| – Share of other comprehensive income of: | | | |
| A joint venture | | **12,405** | – |
| An associate | | **444** | – |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL** | | **60,601** | (17,258) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **783,404** | (125,611) |
| Attributable to: | | | |
| Shareholders of the Company | | **762,935** | (112,800) |
| Non-controlling interests | | **20,469** | (12,811) |
| | | **783,404** | (125,611) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

| | Notes | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 15 | **20,925** | 16,194 |
| Investment properties | 16 | **2,919,061** | 170,248 |
| Prepaid land lease payments | 17 | **263,614** | 239,043 |
| Goodwill | 18 | **149,881** | 149,881 |
| Investments in joint ventures | 20 | **943,187** | 309,057 |
| Investments in associates | 21 | **50,578** | 50,032 |
| Available-for-sale equity investment | 22 | **3,630** | – |
| Deposits paid for acquisitions of a business and additional interest in a joint venture | 23 | **200,912** | – |
| Deposits paid for the acquisitions of land use rights and a building | 23 | **41,625** | 15,200 |
| Prepayments, deposits and othe receivables | 25 | **25,614** | – |
| Deferred tax assets | 33 | **–** | 17 |
| Total non-current assets | | **4,619,027** | 949,672 |
| **CURRENT ASSETS** | | | |
| Trade receivables | 24 | **16,118** | 253 |
| Prepayments, deposits and other receivables | 25 | **32,986** | 50,161 |
| Due from joint ventures | 20 | **311,932** | 322,672 |
| Due from related parties | 26 | **10** | 144 |
| Restricted cash | 27 | **199,633** | – |
| Cash and cash equivalents | 27 | **268,521** | 1,769,367 |
| Total current assets | | **829,200** | 2,142,597 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 28 | **659** | 228 |
| Other payables and accruals | 29 | **80,807** | 30,170 |
| Due to joint ventures | 20 | **48,291** | 3,198 |
| Due to related parties | 26 | **322,521** | 138,907 |
| Bank and other borrowings | 30 | **207,722** | 32,294 |
| Convertible bonds | 31 | **1,832** | 1,437,555 |
| Income tax payables | | **3,418** | 279 |
| Provision for litigations | 32 | **–** | 207,090 |
| Total current liabilities | | **665,250** | 1,849,721 |
| **NET CURRENT ASSETS** | | **163,950** | 292,876 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,782,977** | 1,242,548 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Loan from a non-controlling shareholder | 26 | **30,395** | – |
| Bank and other borrowings | 30 | **904,669** | 34,712 |
| Deferred tax liabilities | 33 | **350,481** | 66,424 |
| Total non-current liabilities | | **1,285,545** | 101,136 |
| Net assets | | **3,497,432** | 1,141,412 |
| **EQUITY** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Issued capital | 34 | **624,312** | 383,779 |
| Reserves | 36(a) | **2,805,887** | 773,088 |
| | | **3,430,199** | 1,156,867 |
| **Non-controlling interests** | | **67,233** | (15,455) |
| Total equity | | **3,497,432** | 1,141,412 |

**Qian Xu**
*Director*

**Siu Kin Wai**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

| | Notes | Attributable to shareholders of the Company | | | | | | | | | | Non-controlling interests HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital HK$'000 | Share premium account HK$'000 | Contributed surplus HK$'000 | Share option reserve HK$'000 (note 36(a)(ii)) | Capital reserve HK$'000 | Convertible bond equity reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC statutory reserves HK$'000 (note 36(a)(iii)) | Retained profits/ (accumulated losses) HK$'000 | Total HK$'000 | | |
| At 1 January 2012 | | 383,779 | 691,486 | 18,528 | 121,410 | – | 216,989 | 80,846 | 20,887 | (307,336) | 1,226,589 | 198,728 | 1,425,317 |
| Loss for the year | | – | – | – | – | – | – | – | – | (97,769) | (97,769) | (10,584) | (108,353) |
| Other comprehensive loss for the year: | | | | | | | | | | | | | |
| Exchange differences: | | | | | | | | | | | | | |
| – Translation of foreign operations | | – | – | – | – | – | – | (5,378) | – | – | (5,378) | (2,227) | (7,605) |
| – Reclassification adjustments for gain on disposal of interests in subsidiaries included in profit or loss | 38 | – | – | – | – | – | – | (9,653) | – | – | (9,653) | – | (9,653) |
| Total comprehensive loss for the year | | – | – | – | – | – | – | (15,031) | – | (97,769) | (112,800) | (12,811) | (125,611) |
| Disposal of subsidiaries | 38 | – | – | – | – | – | – | – | (20,887) | 20,887 | – | (201,372) | (201,372) |
| Reduction of share premium | 36(b) | – | (691,486) | 348,750 | – | – | – | – | – | 342,736 | – | – | – |
| Equity-settled share option arrangements | 35(b) | – | – | – | 43,073 | – | – | – | – | – | 43,073 | – | 43,073 |
| Transfer of share option reserve due to resignation of staff and a consultant | | – | – | – | (180) | – | – | – | – | 180 | – | – | – |
| Transfer of share option reserve due to cancellation | 35(c) | – | – | – | (85,768) | – | – | – | – | 85,768 | – | – | – |
| Transfer of equity component of convertible bonds upon early redemption of convertible bonds | 31 | – | – | – | – | – | (42,037) | – | – | 42,037 | – | – | – |
| Share of reserves of a joint venture | | – | – | – | – | 5 | – | – | – | – | 5 | – | 5 |
| At 31 December 2012 and 1 January 2013 | | 383,779 | –* | 367,278* | 78,535* | 5* | 174,952* | 65,815* | –* | 86,503* | 1,156,867 | (15,455) | 1,141,412 |
| Profit for the year | | – | – | – | – | – | – | – | – | 700,962 | 700,962 | 21,841 | 722,803 |
| Other comprehensive income for the year: | | | | | | | | | | | | | |
| Exchange differences: | | | | | | | | | | | | | |
| – Translation of foreign operations | | – | – | – | – | – | – | 46,265 | – | – | 46,265 | (1,372) | 44,893 |
| – Reclassification adjustment upon deregistration of a subsidiary | 38 | – | – | – | – | – | – | 2,859 | – | – | 2,859 | – | 2,859 |
| Share of other comprehensive income of: | | | | | | | | | | | | | |
| – A joint venture | | – | – | – | – | – | – | 12,405 | – | – | 12,405 | – | 12,405 |
| – An associate | | – | – | – | – | – | – | 444 | – | – | 444 | – | 444 |
| Total comprehensive income for the year | | – | – | – | – | – | – | 61,973 | – | 700,962 | 762,935 | 20,469 | 783,404 |
| Issue of shares upon conversion of share options | 34(a), 35(a) | 30 | 131 | – | (38) | – | – | – | – | – | 123 | – | 123 |
| Issue of shares upon conversion of convertible bonds | 31, 34(b) | 228,160 | 1,338,780 | – | – | – | (166,940) | – | – | – | 1,400,000 | – | 1,400,000 |
| Acquisition of subsidiaries | 34(c), 37 | 12,343 | 61,110 | – | – | – | – | – | – | – | 73,453 | 62,219 | 135,672 |
| Equity-settled share option arrangements | 35(b) | – | – | – | 36,821 | – | – | – | – | – | 36,821 | – | 36,821 |
| Transfer of equity component of convertible bonds upon early redemption of convertible bonds | 31 | – | – | – | – | – | (7,754) | – | – | 7,754 | – | – | – |
| Transfer between reserves | | – | – | – | – | – | – | – | 2,705 | (2,705) | – | – | – |
| At 31 December 2013 | | 624,312 | 1,400,021* | 367,278* | 115,318* | 5* | 258* | 127,788* | 2,705* | 792,514* | 3,430,199 | 67,233 | 3,497,432 |

* These reserve accounts comprise the consolidated reserves of HK$2,805,887,000 (2012: HK$773,088,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit/(loss) before tax: | | | |
| From continuing operations | | **776,031** | (113,395) |
| From discontinued operation | | **–** | 5,686 |
| Adjustments for: | | | |
| Gain on deregistration and disposal of subsidiaries | 6 | **(5,187)** | (35,272) |
| Gains on bargain purchases of subsidiaries | 37 | **(456,741)** | – |
| Bank interest income | 5 | **(24,928)** | (50,476) |
| Other interest income | 5 | **(19,851)** | (20,094) |
| Gains on debt restructurings | 5 | **(60,575)** | – |
| Gain on disposal of an associate | 5 | **(3,692)** | – |
| Gain on disposal of interest in a discontinued operation | 12 | **–** | (12,901) |
| Write-off of items of property, plant and equipment | 8 | **2,803** | – |
| Fair value gain on investment properties, net | 16 | **(193,801)** | (6,952) |
| Depreciation | 15 | **2,272** | 2,232 |
| Amortisation of prepaid land lease payments | 17 | **6,766** | 6,566 |
| Provision/(reversal of provision) for litigations, net | 32 | **(139,333)** | 16,489 |
| Equity-settled share option expense | 35(b) | **36,821** | 43,073 |
| Finance costs | 7 | **37,857** | 91,169 |
| Share of loss of a joint venture | 20(a)(ii) | **16,961** | 10,351 |
| Share of losses of associates | 21(b) | **1,086** | 4,833 |
| Operating loss before working capital changes | | **(23,511)** | (58,691) |
| Decrease in properties held for sale | | **–** | 7,427 |
| Decrease in trade receivables | | **2,150** | 2,165 |
| Decrease/(increase) in prepayments, deposits and other receivables | | **55,009** | (46,799) |
| Decrease/(increase) in amounts due from related parties | | **144** | (119) |
| Decrease in trade payables | | **(3,885)** | (40,908) |
| Increase/(decrease) in other payables and accruals | | **19,377** | (2,468) |
| Increase in amount due to a joint venture | | **–** | 3,192 |
| Decrease in amounts due to related parties | | **–** | (19,071) |
| Decrease in provision for litigations | 32 | **(72,789)** | – |
| Cash used in operations | | **(23,505)** | (155,272) |
| Mainland China income tax paid | | **(4,311)** | (1) |
| Net cash flows used in operating activities | | **(27,816)** | (155,273) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | 15 | **(8,955)** | (954) |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 10 |
| Acquisition of investment properties | | **(9,269)** | – |
| Acquisition of land use rights | 17 | **(21,904)** | – |
| Acquisition of subsidiaries | 37 | **(1,135,494)** | – |
| Increase in an investment in a joint venture | 20(b) | **(153,273)** | (319,423) |
| Net repayment from/(advance to) a joint venture | | **36,671** | (124,044) |
| Acquisition of an associate | 21(c) | **(51,228)** | – |
| Proceeds from deregistration and disposal of subsidiaries | 38 | **8,100** | (247,078) |
| Proceeds from disposal of an associate | | **5,147** | – |
| Deposits paid for acquisitions of a business and an additional interest in a joint venture | | **(153,691)** | – |
| Deposits refunded/(paid) for the acquisition of land use rights and a building | 23 | **(41,625)** | 130,538 |
| Interest received | | **28,903** | 70,570 |
| **Net cash flows used in investing activities** | | **(1,496,618)** | (490,381) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net advance from related parties | | **169,367** | – |
| New loans | | **146,634** | 5,726 |
| Repayment of loans | | **(18,965)** | (136,372) |
| Redemption of convertible bonds | 31 | **(61,160)** | (317,850) |
| Interest paid | | **(30,350)** | (3,782) |
| Exercise of share option | 34(a) | **123** | – |
| Loan from a non-controlling shareholder | | **2,583** | – |
| **Net cash flows generated from/(used in) financing activities** | | **208,232** | (452,278) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(1,316,202)** | (1,097,932) |
| **Cash and cash equivalents at beginning of year** | | **1,769,367** | 2,873,409 |
| **Effect of foreign exchange rate changes, net** | | **14,989** | (6,110) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **468,154** | 1,769,367 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances other than time deposits and restricted cash | 27 | **248,555** | 183,971 |
| Time deposits | 27 | **19,966** | 1,585,396 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | 27 | **268,521** | 1,769,367 |
| Add: Restricted cash | 27(b) | **199,633** | – |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **468,154** | 1,769,367 |

# STATEMENT OF FINANCIAL POSITION

31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 15 | **49** | – |
| Investments in subsidiaries | 19 | **2,007,434** | 1,306,415 |
| Total non-current assets | | **2,007,483** | 1,306,415 |
| **CURRENT ASSETS** | | | |
| Due from subsidiaries | 19(c) | **663,532** | 558,267 |
| Due from a joint venture | 20(d) | **15,050** | – |
| Prepayments, deposits and other receivables | 25 | **769** | 682 |
| Cash and cash equivalents | 27 | **115,698** | 795,446 |
| Total current assets | | **795,049** | 1,354,395 |
| **CURRENT LIABILITIES** | | | |
| Due to the immediate holding company | 26 | **41,841** | – |
| Due to subsidiaries | 19(c) | **11,743** | 11,568 |
| Other payables and accruals | 29 | **3,079** | 952 |
| Convertible bonds | 31 | **1,832** | 1,437,555 |
| Total current liabilities | | **58,495** | 1,450,075 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **736,554** | (95,680) |
| Net assets | | **2,744,037** | 1,210,735 |
| **EQUITY** | | | |
| Issued capital | 34 | **624,312** | 383,779 |
| Reserves | 36(b) | **2,119,725** | 826,956 |
| Total equity | | **2,744,037** | 1,210,735 |

**Qian Xu**
*Director*

**Siu Kin Wai**
*Director*

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 1. CORPORATE INFORMATION

Beijing Properties (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

- development and leasing of commercial properties in the mainland ("Mainland China") of the People's Republic of China (the "PRC") and provision of related management services

- provision of logistics services, including leasing of warehouse facilities and provision of related management services

During the year, Beijing Enterprises Real Estate (HK) Limited ("BEREHK", a limited liability company incorporated in the British Virgin Islands) became the immediate holding company of the Company pursuant to a group reorganisation (the "Group Reorganisation") undertaken by Beijing Enterprises Group (BVI) Limited ("BEGBVI", a then holder of convertible bonds of the Company), Beijing Holdings Limited ("BHL", a major shareholder of the Company immediately before the Group Reorganisation) and BEREHK. BEGBVI, BHL and BEREHK are fellow subsidiaries to each other and are all wholly-owned subsidiaries of 北京控股集團有限公司 ("Beijing Enterprises Group"), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality ("Beijing SASAC").

The Group Reorganisation involved the following steps:

(i) on 22 January 2013, BEGBVI transferred its entire convertible bonds receivable from the Company in an aggregate principal amount of HK$1,500,000,000 to BEREHK;

(ii) on 24 January 2013, BEREHK exercised its rights attaching to the convertible bonds to convert a portion of the bonds with a principal amount of HK$586,950,000 into 903,000,000 new ordinary shares of the Company, representing 19.05% of the then enlarged share capital of the Company;

(iii) on 14 March 2013, BHL transferred its entire equity interest in Brilliant Bright Holdings Limited ("Brilliant Bright", a then wholly-owned subsidiary of BHL holding a 32.86% equity interest in the Company) to BEREHK; and

(iv) up to 14 March 2013, BEREHK acquired an aggregate of 2.20% equity interest in the Company on the Stock Exchange.

Further details of steps (i) to (iii) above are set out in the Company's announcements dated 22 January 2013, 24 January 2013 and 14 March 2013, respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 1. CORPORATE INFORMATION (Continued)

Upon the completion of the above steps, on 14 March 2013, BEREHK holds an aggregate of 54.11% equity interest in the Company and has become the immediate holding company of the Company since then.

In addition, in November and December 2013, BEREHK exercised its rights attached to the convertible bonds of the Company to convert the entire outstanding convertible bonds receivable into 2,281,600,407 new ordinary shares of the Company, further details of which are set out in the Company's announcements dated 28 November 2013 and 30 December 2013, respectively. At 31 December 2013, BEREHK holds an aggregate of 63.56% equity interest in the Company.

At 31 December 2013, the immediate holding company of the Company is BEREHK and, in the opinion of the directors of the Company, the ultimate holding company of the Company is Beijing Enterprises Group.

## 2.1 BASIS OF PRESENTATION AND PREPARATION

**Basis of presentation**

Despite that the Group had capital commitments of HK$2,127,677,000 in aggregate as at 31 December 2013 as further detailed in note 42 to the financial statements, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's profit forecast and cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

(a) certain of the above-mentioned total capital commitments are expected to be fulfilled by the Group after the year ending 31 December 2014 with reference to the terms of respective agreements and the schedule of capital contribution to a joint venture; and

(b) the Company had issued convertible bonds with an aggregate principal amount of RMB490,510,000 (equivalent to approximately HK$620,541,000) subsequently on 12 February 2014, as further detailed in note 47(b) to the financial statements.

Accordingly, these financial statements have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and an available-for-sale equity investment which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

*Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

**Basis of preparation (Continued)**

*Basis of consolidation (Continued)*

Profit or loss and each component of other comprehensive income are attributable to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 according to the accounting policy for subsidiaries adopted by the Company. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HKAS 36 Amendments | Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted) |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements* 2009-2011 Cycle | Amendments to a number of HKFRSs issued in June 2012 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. However, the application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011). The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKRFS 11, and concluded that the application of HKFRS 11 has had no impact on these financial statements.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 19, 20 and 21 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and an available-for-sale equity investment are included in notes 16 and 22 to the financial statements, respectively.

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

(h) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) (Continued)

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

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Subsidiaries**

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

**Investments in associates and joint ventures**

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments in associates and joint ventures (Continued)**

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

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Business combinations and goodwill (Continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Fair value measurement**

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fair value measurement (Continued)**

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

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

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

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

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

**Impairment of non-financial assets**

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Related parties**

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

(a) the party is a person or a close member of that person's family and that person: (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property, plant and equipment and depreciation (Continued)**

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | Over the shorter of the lease terms and 40 years |
| Leasehold improvements | Over the shorter of the lease terms and 4 years |
| Plant and machinery | 5-10 years |
| Furniture, fixtures and equipment | 3-5 years |
| Motor vehicles | 5 years |

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

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

Construction in progress represents a building under construction, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Investment properties**

Investment properties include both completed investment properties and investment properties under construction.

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

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and, subsequent to initial recognition, stated at fair value at the end of the reporting period when the fair value can be determined reliably.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investment properties (Continued)**

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of a completed investment properties or an investment properties under construction are recognised in profit or loss in the period of the retirement or disposal.

**Operating leases**

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

**Investments and other financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables and an available-for-sale equity investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

*Subsequent measurement*

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

(i) Loans and receivables

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets (Continued)**

*Subsequent measurement (Continued)*

(ii) Available-for-sale equity investment

Available-for-sale equity investment is an unlisted equity investment which is neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, the available-for-sale equity investments is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss as other gains or losses.

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

*Impairment*

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

(i) Financial assets carried at amortised cost

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets (Continued)**

*Impairment (Continued)*

(i) Financial assets carried at amortised cost (Continued)

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

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

(ii) Available-for-sale equity investment

For available-for-sale equity investment, the Group assesses at the end of each reporting period whether there is objective evidence that the investment is impaired.

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets (Continued)**

*Derecognition*

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

- the rights to receive cash flows from the asset have expired; or

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

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

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, interest-bearing bank and other borrowings.

*Subsequent measurement*

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

(i) Loans and borrowings

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial liabilities (Continued)**

*Subsequent measurement (Continued)*

(ii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

*Derecognition*

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

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

**Convertible bonds**

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When the convertible bonds are redeemed, the carrying amount of equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Offsetting of financial instruments**

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

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

**Provisions**

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

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

**Income tax**

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income tax (Continued)**

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue recognition**

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

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

(b) management income, when the related management services have been provided; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Share-based payments (Continued)**

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

**Other employee benefits (Pension schemes)**

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

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

**Borrowing costs**

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Foreign currencies**

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

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

The functional currencies of the Company, certain subsidiaries, joint ventures and associates established in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, certain subsidiaries established in Mainland China are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

**Operating lease commitments – Group as lessor**

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

**Classification between investment properties and owner-occupied properties**

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

**Estimation of fair value of investment properties**

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) annual rental income supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition.

Further details of the fair value estimation of investment properties, including the key assumptions used for fair value measurement and sensitivity analysis, are set out in note 16 to the financial statements.

**Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the logistic business segment cash-generating unit to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. In the opinion of the directors of the Company, the recoverable amount of the logistics business segment cash-generating unit is the fair value less cost of disposal. The assessment of this recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties; and long-term rental rates (considering current and historical rents, price trends and related factors), discount rates, operating costs, future capital requirements and operating performance (which includes occupancy rate) for investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections and impact the recoverable amount of the cash-generating unit, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2013 was HK$149,881,000 (2012: HK$149,881,000), details of which are set out in note 18 to the financial statements.

**Classification of entities as joint ventures in which the Group holds more than a majority of voting rights**

The Group considers that it has no control over 北京北建通成國際物流有限公司 ("BIPL") and 廣州光明房產建設有限公司 ("Guangzhou Guangming") even though it owns more than 50% of the voting rights of these entities. This is because unanimous approval from all directors of these entities is required for any resolution raised at their respective directors' meeting. Accordingly, the Group determined that it does not have control, but only joint control over BIPL and Guangzhou Guangming and had classified its investments in these entities as joint ventures and accounted for such investments using the equity method in accordance with HKAS 28 (2011).

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

**Impairment of trade receivables and other receivables**

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of the collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2013 were HK$16,118,000 (2012: HK$253,000) and HK$48,354,000 (2012: HK$42,930,000), respectively, details of which are set out in notes 24 and 25 to the financial statements.

**Current tax and deferred tax**

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2013 was HK$3,418,000 (2012: HK$279,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, the differences will impact the recognition of deferred tax assets and deferred tax in the periods in which the estimates have been changed. Deferred tax assets carried as assets in the consolidated statement of financial position as at 31 December 2012 was HK$17,000 and the carrying amount of deferred tax liabilities carried as liabilities as at 31 December 2013 was HK$350,481,000 (2012: HK$66,424,000), details of which are set out in note 33 to the financial statements.

**Deferred tax liabilities on unremitted earnings**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2013 and 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 December 2013, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised in the consolidated statement of financial position was approximately HK$15,354,000 (2012: Nil), details of which are set out in note 33(b) to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 4. OPERATING SEGMENT INFORMATION

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

(a) the properties business segment engages in the development and leasing of commercial properties in Mainland China and provision of related management services;

(b) the logistics business segment engages in the provision of logistics services, including leasing of warehouse facilities and provision of related management services; and

(c) the gardening business segments, which was discontinued during the year ended 31 December 2012 (note 12), engaged in the manufacture and sale of outdoor gardening products and indoor lifestyle products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, as well as head office and corporate income/(expenses) are excluded from such measurement.

Segment assets exclude deferred tax assets, amounts due from joint ventures and related parties, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 4. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude amounts due to a joint venture and related parties, bank and other borrowings, convertible bonds, income tax payables, loan from a non-controlling shareholder, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

| | Continued operation | | | | | | Discontinued operation | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Properties business | | Logistics business | | Total | | Gardening business | | Total | |
| | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 |
| **Segment revenue:** | | | | | | | | | | |
| Sales to external customers | **–** | 2,867 | **35,848** | 8,140 | **35,848** | 11,007 | **–** | 35,093 | **35,848** | 46,100 |
| Fair value gain on investment properties, net | **–** | – | **193,801** | 6,952 | **193,801** | 6,952 | **–** | – | **193,801** | 6,952 |
| | **–** | 2,867 | **229,649** | 15,092 | **229,649** | 17,959 | **–** | 35,093 | **229,649** | 53,052 |
| **Reconciliation:** | | | | | | | | | | |
| Gains on deregistration and disposal of subsidiaries | | | | | **5,187** | 35,272 | **–** | – | **5,187** | 35,272 |
| Gains on bargain purchases of subsidiaries | | | | | **456,741** | – | **–** | – | **456,741** | – |
| Bank interest income | | | | | **24,928** | 50,476 | **–** | – | **24,928** | 50,476 |
| Other interest income | | | | | **19,851** | 20,094 | **–** | – | **19,851** | 20,094 |
| Gains on debt restructurings | | | | | **60,575** | – | **–** | – | **60,575** | – |
| Gain on disposal of an associate | | | | | **3,692** | – | **–** | – | **3,692** | – |
| Foreign exchange gains | | | | | **20,939** | – | **–** | – | **20,939** | – |
| Gain of disposal of a discontinued operation | | | | | **–** | – | **–** | 12,901 | **–** | 12,901 |
| Other unallocated gains | | | | | **1,979** | 81 | **–** | 244 | **1,979** | 325 |
| Revenue, other income and gains, net | | | | | **823,541** | 123,882 | **–** | 48,238 | **823,541** | 172,120 |
| **Segment results:** | | | | | | | | | | |
| The Group | **(273)** | (927) | **321,057** | (33,056) | **320,784** | (33,983) | **–** | (7,298) | **320,784** | (41,281) |
| Share of profits/(losses) of: | | | | | | | | | | |
| A joint venture | **–** | – | **(16,961)** | (10,351) | **(16,961)** | (10,351) | **–** | – | **(16,961)** | (10,351) |
| Associates | **(1,094)** | – | **8** | (4,833) | **(1,086)** | (4,833) | **–** | – | **(1,086)** | (4,833) |
| | **(1,367)** | (927) | **304,104** | (48,240) | **302,737** | (49,167) | **–** | (7,298) | **302,737** | (56,465) |
| **Reconciliation:** | | | | | | | | | | |
| Gains on deregistration and disposal of subsidiaries | | | | | **5,187** | 35,272 | **–** | – | **5,187** | 35,272 |
| Gains on bargain purchases of subsidiaries | | | | | **456,741** | – | **–** | – | **456,741** | – |
| Bank interest income | | | | | **24,928** | 50,476 | **–** | – | **24,928** | 50,476 |
| Other interest income | | | | | **19,851** | 20,094 | **–** | – | **19,851** | 20,094 |
| Gains on debt restructurings | | | | | **60,575** | – | **–** | – | **60,575** | – |
| Gain on disposal of an associate | | | | | **3,692** | – | **–** | – | **3,692** | – |
| Foreign exchange gains | | | | | **20,939** | – | **–** | – | **20,939** | – |
| Gain of disposal of a discontinued operation | | | | | **–** | – | **–** | 12,901 | **–** | 12,901 |
| Other unallocated gains | | | | | **1,979** | 81 | **–** | 244 | **1,979** | 325 |
| Corporate and other unallocated expenses | | | | | **(82,741)** | (78,982) | **–** | – | **(82,741)** | (78,982) |
| Finance costs | | | | | **(37,857)** | (91,169) | **–** | (161) | **(37,857)** | (91,330) |
| Profit/(loss) before tax | | | | | **776,031** | (113,395) | **–** | 5,686 | **776,031** | (107,709) |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 4. OPERATING SEGMENT INFORMATION (Continued)

| | Continued operation | | | | | | Discontinued operation | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Properties business | | Logistics business | | Total | | Gardening business | | Total | |
| | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 |
| **Segment assets** | 578,699 | – | 3,890,830 | 997,551 | 4,469,529 | 997,551 | – | – | 4,469,529 | 997,551 |
| **Reconciliation:** | | | | | | | | | | |
| Corporate and other unallocated assets | | | | | 978,698 | 2,094,718 | – | – | 978,698 | 2,094,718 |
| Total assets | | | | | 5,448,227 | 3,092,269 | – | – | 5,448,227 | 3,092,269 |
| **Segment liabilities** | (9,263) | – | (64,499) | (211,938) | (73,762) | (211,938) | – | – | (73,762) | (211,938) |
| **Reconciliation:** | | | | | | | | | | |
| Corporate and other unallocated liabilities | | | | | (1,877,033) | (1,738,919) | – | – | (1,877,033) | (1,738,919) |
| Total liabilities | | | | | (1,950,795) | (1,950,857) | – | – | (1,950,795) | (1,950,857) |
| **Other segment information:** | | | | | | | | | | |
| Depreciation on: | | | | | | | | | | |
| Segment assets | – | 62 | 1,489 | 1,152 | 1,489 | 1,214 | – | 92 | 1,489 | 1,306 |
| Corporate and other unallocated assets | | | | | 783 | 926 | – | – | 783 | 926 |
| | | | | | 2,272 | 2,140 | – | 92 | 2,272 | 2,232 |
| Amortisation on segment assets | – | – | 6,766 | 6,566 | 6,766 | 6,566 | – | – | 6,766 | 6,566 |
| Investments in joint ventures | 480,899 | – | 462,288 | 309,057 | 943,187 | 309,057 | – | – | 943,187 | 309,057 |
| Investments in associates | 50,578 | – | – | 50,032 | 50,578 | 50,032 | – | – | 50,578 | 50,032 |
| Provision/(reversal of provision) for litigations, net | – | – | (139,333) | 207,090 | (139,333) | 207,090 | – | – | (139,333) | 207,090 |
| Other non-cash expenses | – | – | – | – | 25,437 | 72,803 | – | – | 25,437 | 72,803 |
| Capital expenditure* on: | | | | | | | | | | |
| Segment assets | – | – | 2,575,183 | 830 | 2,575,183 | 830 | – | – | 2,575,183 | 830 |
| Corporate and other unallocated assets | | | | | 777 | 124 | – | – | 777 | 124 |
| | | | | | 2,575,960 | 954 | – | – | 2,575,960 | 954 |

* Capital expenditure consists of additions of property, plant and equipment, investment properties and prepaid land lease payments, including assets from the acquisition of subsidiaries during the year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

### Information about major customers

During the year ended 31 December 2013, the Group had transactions with one external customer of the logistics business segment (2012: two customers, one from each of the properties and logistics business segments) which contributed over 10% of the Group's total revenue for the year.

A summary of revenue earned from each of these major external customers is set out below:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Customer 1 | **5,654** | N/A* |
| Customer 2 | **N/A*** | 2,371 |
| Customer 3 | **N/A*** | 1,882 |

* The corresponding revenue of these customers is not disclosed as they individually did not contribute over 10% of the Group's total revenue for the current or prior years.

## 5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (1) the invoiced value of properties sold, net of business tax and government surcharges; (2) the gross rental income received and receivable from investment properties, net of business tax and government surcharges; and (3) the management fee from the services rendered, net of valued-added tax, business tax and government surcharges.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Sale of properties | – | 2,867 |
| Gross rental income | 35,719 | 5,778 |
| Management fee | 129 | 2,362 |
| | 35,848 | 11,007 |
| **Other income** | | |
| Bank interest income | 24,928 | 50,476 |
| Interest income from a joint venture (note 43(a)(ii)) | 19,851 | 20,094 |
| Others | 1,979 | 81 |
| | 46,758 | 70,651 |
| **Gains, net** | | |
| Gains on debt restructurings (note) | 60,575 | – |
| Gain on disposal of an associate | 3,692 | – |
| Foreign exchange differences, net | 20,939 | – |
| | 85,206 | – |
| **Other income and gains, net** | 131,964 | 70,651 |

Note: The gains on debt restructurings recognised by the Group during the year comprised (i) a gain of HK$17,455,000, arsing from a debt restructuring arrangement with the lender of certain secured other loans of the Group with an aggregate principal amount of RMB10,250,000 (equivalent to HK$13,127,000), pursuant to which the lender agreed to a total settlement sum of RMB14,000,000 (equivalent to HK$17,930,000) made by the Group to release the Group from all the obligations under the relevant agreements of the other, loans, further details of the secured other loans are set out in note 30(b) to the financial statements; and (ii) a gain of HK$43,120,000, arising from a debt restructuring arrangement between the Group and a previous shareholder of Oriental Union Investment Limited ("Oriental Union"), pursuant to which, among other things, the previous shareholder of Oriental Union released Oriental Union from all the obligations under a loan of HK$43,120,000 advanced by it to Oriental Union in previous years.

## 6. GAIN ON DEREGISTRATION AND DISPOSAL OF SUBSIDIARIES

The gain on deregistration of a subsidiary of HK$5,187,000 recognised during the year arose from the deregistration of the Group's subsidiary, 沈陽富日置業有限公司 ("Shenyang Rich Day"), during the year.

The gain on disposal of interests in subsidiaries of HK$35,272,000 recognised in the year ended 31 December 2012 arose from the disposal of the Group's equity interest in Zenna Investments Limited ("Zenna"), a then wholly-owned subsidiary of the Company which held 60% of the registered capital of a joint venture, 北京京泰同成置業有限公司 ("Jingtai Tongcheng").

Further details of the deregistration and disposal transactions are set out in note 38 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 7. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Interests on bank loans and other loans wholly repayable within five years | **12,420** | 8,317 |
| Imputed interest on convertible bonds (note 31) | **20,838** | 37,646 |
| Loss on early redemption of convertible bonds | **4,599** | 35,157 |
| Penalties on overdue other loans | **–** | 10,049 |
| | **37,857** | 91,169 |

## 8. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Cost of properties sold | **–** | 1,865 |
| Direct cost of rental income | **2,981** | 782 |
| Cost of services provided | **928** | 1,082 |
| Depreciation | **2,272** | 2,140 |
| Amortisation of prepaid land lease payments | **6,766** | 6,566 |
| Minimum lease payments under operating leases in respect of land and buildings | **3,632** | 4,671 |
| Auditors' remuneration | **2,433** | 985 |
| Write-off of items of property, plant and equipment* | **2,803** | – |
| Employee benefit expense (including directors' remuneration – note 9): | | |
| Salaries, allowances and benefits in kind | **26,863** | 23,106 |
| Equity-settled share option expense** | **29,863** | 21,192 |
| Pension scheme contributions | **5,275** | 5,129 |
| | **62,001** | 49,427 |
| Equity-settled share option expenses for consultancy service* | **6,958** | 21,881 |
| Foreign exchange differences, net | **(20,939)** | 2,074* |

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss.

** This item is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 9. DIRECTORS' REMUNERATION

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

| | | Group | |
|---|---|---|---|
| | | **2013** | 2012 |
| | Notes | **HK$'000** | HK$'000 |
| Fees | | **2,172** | 1,800 |
| Other emoluments: | | | |
| Salaries, allowances and benefits in kind | | **2,098** | 1,416 |
| Performance-related bonus | (a) | **358** | 25 |
| Equity-settled share option expense | (b) | **20,666** | 11,372 |
| | | **23,122** | 12,813 |
| | | **25,294** | 14,613 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 9. DIRECTORS' REMUNERATION (Continued)

| Name of director | Fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance-related bonus HK$'000 | Equity-settled share option expense HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | | |
| **Executive directors:** | | | | | |
| Mr. Zhou Si* | 180 | – | – | 3,139 | 3,319 |
| Mr. Qian Xu | 180 | 2,098 | – | 2,616 | 4,894 |
| Mr. Yu Li | 180 | – | – | 2,878 | 3,058 |
| Mr. Xu Taiyan | 144 | – | – | 1,570 | 1,714 |
| Mr. Jiang Xinhao | 144 | – | – | 1,570 | 1,714 |
| Ms. Meng Fang | 144 | – | – | 1,570 | 1,714 |
| Mr. Siu Kin Wai | 144 | – | 358 | 1,570 | 2,072 |
| Mr. Yu Luning | 132 | – | – | 1,046 | 1,178 |
| Mr. Liu Xueheng | 132 | – | – | 1,046 | 1,178 |
| Mr. Ang Renyi | 132 | – | – | 1,046 | 1,178 |
| | 1,512 | 2,098 | 358 | 18,051 | 22,019 |
| **Independent non-executive directors:** | | | | | |
| Mr. Ng Tang Fai, Ernesto | 132 | – | – | 523 | 655 |
| Mr. Goh Gen Cheung | 132 | – | – | 523 | 655 |
| Mr. Ma Chiu Cheung Andrew | 132 | – | – | 523 | 655 |
| Mr. James Chan | 132 | – | – | 523 | 655 |
| Mr. Zhu Wuxiang | 132 | – | – | 523 | 655 |
| | 660 | – | – | 2,615 | 3,275 |
| Total | 2,172 | 2,098 | 358 | 20,666 | 25,294 |

* Mr. Zhou Si subsequently resigned as a director of the Company on 21 January 2014.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 9. DIRECTORS' REMUNERATION (Continued)

| Name of director | Fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance-related bonus HK$'000 | Equity-settled share option expense HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|
| Year ended 31 December 2012 | | | | | |
| **Executive directors:** | | | | | |
| Mr. Zhou Si | 120 | – | – | 1,052 | 1,172 |
| Mr. Ang Keng Lam | 116 | – | – | 1,052 | 1,168 |
| Mr. Yu Li | 120 | – | – | 894 | 1,014 |
| Mr. Xu Taiyan | 120 | – | – | 1,052 | 1,172 |
| Mr. Qian Xu | 120 | 1,416 | – | 1,262 | 2,798 |
| Mr. Jiang Xinhao | 120 | – | – | 694 | 814 |
| Ms. Meng Fang | 120 | – | – | 1,052 | 1,172 |
| Mr. Siu Kin Wai | 120 | – | 25 | 1,052 | 1,197 |
| Mr. Yu Luning | 120 | – | – | 1,052 | 1,172 |
| Mr. Liu Xueheng | 120 | – | – | – | 120 |
| Mr. Ang Renyi | 4 | – | – | – | 4 |
| | 1,200 | 1,416 | 25 | 9,162 | 11,803 |
| **Non-executive director:** | | | | | |
| Mr. Lin Chun Kuei | – | – | – | 1,052 | 1,052 |
| **Independent non-executive directors:** | | | | | |
| Mr. Ng Tang Fai, Ernesto | 120 | – | – | 386 | 506 |
| Mr. Goh Gen Cheung | 120 | – | – | 386 | 506 |
| Mr. Ma Chiu Cheung Andrew | 120 | – | – | 386 | 506 |
| Mr. James Chan | 120 | – | – | – | 120 |
| Mr. Zhu Wuxiang | 120 | – | – | – | 120 |
| | 600 | – | – | 1,158 | 1,758 |
| Total | 1,800 | 1,416 | 25 | 11,372 | 14,613 |

Notes:

(a) Certain executive directors of the Company are entitled to bonus payments which are determined by reference to the performance of the Group and individual's performance.

(b) Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company during the years ended 31 December 2013 and 2012, details of which are set out in note 35 to the financial statements. The fair values of these options were determined and recognised in profit or loss at the respective dates of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' remuneration disclosures.

(c) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2013 included two (2012: one) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2012: four) non-director, highest paid employees for the year are as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **2,860** | 3,163 |
| Equity-settled share option expense | **1,423** | 2,089 |
| Pension scheme contributions | **321** | 314 |
| | **5,384** | 5,566 |

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

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

During the current and prior years, share options were granted to the non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair values of these options were determined and recognised in profit or loss as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director, highest paid employees' remuneration disclosures.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 11. INCOME TAX

An analysis of the Group's income tax from continuing operations is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Current – Mainland China | 3,153 | 1 |
| Deferred (note 33) | 50,075 | 631 |
| Total tax expense for the year | 53,228 | 632 |

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

**Group**

**Year ended 31 December 2013**

| | Hong Kong | | Mainland China | | Total | |
|---|---|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % | HK$'000 | % |
| Profit before tax from continuing operations | 252,724 | | 523,307 | | 776,031 | |
| Tax expense at the statutory tax rate | 41,699 | 16.5 | 130,827 | 25.0 | 172,526 | 22.2 |
| Losses attributable to a joint venture and associates | 2,574 | 1.0 | 405 | 0.1 | 2,979 | 0.4 |
| Effect of withholding tax on interest income from an intercompany loan | 1,434 | 0.6 | – | – | 1,434 | 0.2 |
| Income not subject to tax | (74,801) | (29.7) | (78,451) | (15.0) | (153,252) | (19.7) |
| Expenses not deductible for tax | 30,528 | 12.2 | 1,484 | 0.3 | 32,012 | 4.1 |
| Tax losses utilised from previous periods | – | – | (3,238) | (0.6) | (3,238) | (0.4) |
| Tax losses not recognised as deferred tax assets | – | – | 767 | 0.1 | 767 | 0.1 |
| Tax expense at the Group's effective tax rate | 1,434 | 0.6 | 51,794 | 9.9 | 53,228 | 6.9 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 11. INCOME TAX (Continued)

**Group (Continued)**

Year ended 31 December 2012

| | Hong Kong | | Mainland China | | Total | |
|---|---|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % | HK$'000 | % |
| Loss before tax from continuing operations | (62,456) | | (50,939) | | (113,395) | |
| Tax credit at the statutory tax rate | (10,305) | 16.5 | (12,735) | 25.0 | (23,040) | 20.3 |
| Losses attributable to a joint venture and associates | 1,688 | (2.7) | 1,238 | (2.4) | 2,926 | (2.6) |
| Income not subject to tax | (13,397) | 21.4 | (1,738) | 3.4 | (15,135) | 13.3 |
| Expenses not deductible for tax | 16,637 | (26.6) | 4,024 | (7.9) | 20,661 | (18.2) |
| Tax losses utilised from previous periods | – | – | (2,136) | 4.2 | (2,136) | 1.9 |
| Tax losses not recognised as deferred tax assets | 5,377 | (8.6) | 11,979 | (23.5) | 17,356 | (15.3) |
| Tax expense at the Group's effective tax rate | – | – | 632 | (1.2) | 632 | (0.6) |

The share of tax credit attributable to a joint venture amounting to HK$5,676,000 (2012: HK$3,329,000) is included in "Share of losses of a joint venture" in the consolidated statement of profit or loss.

## 12. DISCONTINUED OPERATION

On 10 May 2012, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which, the Group sold the entire equity interest in New Radiant Investments Limited ("New Radiant", a then wholly-owned subsidiary of the Group) to the independent third party at a cash consideration of HK$5,000,000. The transaction was completed on 31 May 2012.

The Group's gardening business operation was solely undertaken by New Radiant and its subsidiaries. Accordingly, the gardening business operation of the Group was discontinued upon the completion of the transaction.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 12. DISCONTINUED OPERATION (Continued)

**(a)** The results of the discontinued operation dealt with in the consolidated financial statements for the year ended 31 December 2012 are summarised as follows:

| | 2012<br>HK$'000 |
|---|---|
| Revenue | 35,337 |
| Expenses | (42,552) |
| Loss before tax of the discontinued operation | (7,215) |
| Income tax expense related to loss before tax of the discontinued operation | (12) |
| | (7,227) |
| Gain on disposal of the discontinued operation, net of income tax of nil | 12,901 |
| Profit for the year from a discontinued operation wholly attributable to shareholders of the Company | 5,674 |

**(b)** The net cash flows of the discontinued operation dealt with in the consolidated financial statements for the year ended 31 December 2012 is as follows:

| | 2012<br>HK$'000 |
|---|---|
| Operating activities | (6,367) |
| Investing activities | (91) |
| Financing activities | 3,254 |
| Net cash outflow attributable to the discontinued operation | (3,204) |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 12. DISCONTINUED OPERATION (Continued)

### (c) Earnings per share from the discontinued operation

| | 2012 |
|---|---|
| Basic and diluted | HK0.15 cents |

The calculation of the basic earnings per share amount from the discontinued operation is based on the profit for the year from a discontinued operation of HK$5,674,000 and the weighted average number of 3,837,788,500 ordinary shares in issue during the year ended 31 December 2012.

No adjustment had been made to the basic earnings per share amounts from the discontinued operations presented for the year ended 31 December 2012 in respect of a dilution as the impact of the share options and convertible bonds outstanding during that year had either no diluting effect or an anti-dilutive effect on the basic earnings per share amounts from the discontinued operation presented.

## 13. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2013 includes a loss of HK$57,325,000 (2012: profit of HK$142,390,000), which has been dealt with in the financial statements of the Company.

A reconciliation of the above amount to the Company's profit/(loss) for the year is as follows:

| | Notes | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| Amount of consolidated profit/(loss) for the year attributable to shareholders of the Company dealt with in the financial statements of the Company | | **(57,325)** | 142,390 |
| Impairment of amounts due from subsidiaries recognised during the year in profit or loss | 19(d) | **–** | (53) |
| The Company's profit/(loss) for the year | 36(b) | **(57,325)** | 142,337 |

## 14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year and the profit/(loss) for the year from continuing operations attributable to shareholders of the Company, and the weighted average number of 6,243,121,654 (2012: 3,837,788,500) ordinary shares in issue during the year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

The calculation of the diluted earnings per share amounts for the year ended 31 December 2013 is based on the profit for the year and the profit for the year from continuing operations attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds at the beginning of the year, and the weighted average number of ordinary shares after adjustment for the effect of deemed conversion and exercise of all dilutive convertible bonds and share options at the beginning of the year.

In respect of the diluted loss per share amounts for the year ended 31 December 2012, no adjustment has been made to the basic loss per share amounts presented as the impact of the share options and convertible bonds outstanding during that year had either no diluting effect or an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2013 is based on the following data:

| | 2013<br>HK$'000 |
|---|---|
| **Earnings** | |
| For profit for the year and profit for the year from continuing operations: | |
| Profit for the year and profit for the year from continuing operations attributable to shareholders of the Company, used in the basic earnings per share calculation | **700,962** |
| Imputed interest on dilutive convertible bonds (note 7) | **20,838** |
| Loss on early redemption of convertible bonds (note 7) | **4,599** |
| Profit for the year and profit for the year from continuing operations attributable to shareholders of the Company, used in the diluted earnings per share calculation | **726,399** |

| | 2013 |
|---|---|
| **Number of ordinary shares** | |
| Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation | **6,243,121,654** |
| Effect of dilution on weighted average number of ordinary shares | |
| – Share options | **120,137,902** |
| – Convertible bonds | **1,403,420,018** |
| Weighted average number of ordinary shares, used in the diluted earnings per share calculation | **7,766,679,574** |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 15. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Buildings HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures, equipment, and motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | | | |
| At 1 January 2013: | | | | | | |
| Cost | 9,188 | 6,184 | 3,908 | 2,088 | 2,578 | 23,946 |
| Accumulated depreciation | (437) | (5,072) | (1,305) | (938) | – | (7,752) |
| Net carrying amount | 8,751 | 1,112 | 2,603 | 1,150 | 2,578 | 16,194 |
| Net carrying amount: | | | | | | |
| At 1 January 2013 | 8,751 | 1,112 | 2,603 | 1,150 | 2,578 | 16,194 |
| Additions | 342 | 525 | 114 | 2,063 | 5,911 | 8,955 |
| Acquisition of subsidiaries (note 37) | – | – | – | 205 | – | 205 |
| Depreciation provided during the year | (427) | (502) | (842) | (501) | – | (2,272) |
| Deregistration of a subsidiary (note 38) | – | (20) | – | (28) | – | (48) |
| Write-off | – | – | – | – | (2,803) | (2,803) |
| Exchange realignment | 348 | 24 | 89 | 70 | 163 | 694 |
| At 31 December 2013 | 9,014 | 1,139 | 1,964 | 2,959 | 5,849 | 20,925 |
| At 31 December 2013: | | | | | | |
| Cost | 9,902 | 6,770 | 4,180 | 4,427 | 5,849 | 31,128 |
| Accumulated depreciation | (888) | (5,631) | (2,216) | (1,468) | – | (10,203) |
| Net carrying amount | 9,014 | 1,139 | 1,964 | 2,959 | 5,849 | 20,925 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Group (Continued)

| | Buildings HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures, equipment, and motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2012** | | | | | | |
| At 1 January 2012: | | | | | | |
| Cost | 9,202 | 6,066 | 10,274 | 4,651 | 2,030 | 32,223 |
| Accumulated depreciation | (57) | (4,701) | (6,125) | (2,429) | – | (13,312) |
| Net carrying amount | 9,145 | 1,365 | 4,149 | 2,222 | 2,030 | 18,911 |
| Net carrying amount: | | | | | | |
| At 1 January 2012 | 9,145 | 1,365 | 4,149 | 2,222 | 2,030 | 18,911 |
| Additions | – | 88 | 215 | 100 | 551 | 954 |
| Depreciation provided during the year | (379) | (339) | (1,000) | (514) | – | (2,232) |
| Disposals | – | – | (10) | – | – | (10) |
| Disposal of subsidiaries (note 38) | – | – | (745) | (655) | – | (1,400) |
| Exchange realignment | (15) | (2) | (6) | (3) | (3) | (29) |
| At 31 December 2012 | 8,751 | 1,112 | 2,603 | 1,150 | 2,578 | 16,194 |
| At 31 December 2012: | | | | | | |
| Cost | 9,188 | 6,184 | 3,908 | 2,088 | 2,578 | 23,946 |
| Accumulated depreciation | (437) | (5,072) | (1,305) | (938) | – | (7,752) |
| Net carrying amount | 8,751 | 1,112 | 2,603 | 1,150 | 2,578 | 16,194 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

**Company**

| | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Year ended 31 December 2013** | | | |
| At 1 January 2013: | | | |
| Cost | 289 | 138 | 427 |
| Accumulated depreciation | (289) | (138) | (427) |
| Net carrying amount | – | – | – |
| Net carrying amount: | | | |
| At 1 January 2013 | – | – | – |
| Additions | – | 56 | 56 |
| Depreciation provided during the year | – | (7) | (7) |
| At 31 December 2013 | – | 49 | 49 |
| At 31 December 2013: | | | |
| Cost | 289 | 56 | 345 |
| Accumulated depreciation | (289) | (7) | (296) |
| Net carrying amount | – | 49 | 49 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

**Company (Continued)**

| | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Year ended 31 December 2012** | | | |
| At 1 January 2012: | | | |
| Cost | 289 | 138 | 427 |
| Accumulated depreciation | (289) | (94) | (383) |
| Net carrying amount | – | 44 | 44 |
| Net carrying amount: | | | |
| At 1 January 2012 | – | 44 | 44 |
| Depreciation provided during the year | – | (44) | (44) |
| At 31 December 2012 | – | – | – |
| At 31 December 2012: | | | |
| Cost | 289 | 138 | 427 |
| Accumulated depreciation | (289) | (138) | (427) |
| Net carrying amount | – | – | – |

Notes:

(a) The Group's buildings are situated in Mainland China and are held under medium term leases.

(b) At 31 December 2013, certain buildings of the Group with an aggregate net carrying amount of HK$1,576,000 (2012: HK$1,564,000) were pledged to secure certain other loans granted to the Group (note 30(b)).

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 16. INVESTMENT PROPERTIES

**Group**

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Completed | Under construction | Total | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Carrying amount at 1 January | 170,248 | – | 170,248 | 163,537 |
| Acquisition of subsidiaries (note 37) | 2,402,602 | 117,825 | 2,520,427 | – |
| Additions | 1,970 | 22,499 | 24,469 | – |
| Net gain on fair value adjustments | 196,243 | (2,442) | 193,801 | 6,952 |
| Exchange realignment | 9,811 | 305 | 10,116 | (241) |
| Carrying amount at 31 December | 2,780,874 | 138,187 | 2,919,061 | 170,248 |

Notes:

(a) At 31 December 2013, the Group's investment properties, which consisted of three completed properties and two properties under construction for logistic business segment, are situated in Mainland China and are held under medium term leases. Further particulars of the investment properties of the Group are included on page 147.

(b) The Group's investment properties were revalued on 31 December 2013 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers, at HK$2,919,061,000 (2012: HK$170,248,000). Each year, the Group's senior management decides which external valuer to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

**Fair value hierarchy disclosure**

At 31 December 2013, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

| Valuation techniques | | Significant unobservable inputs | Input/range of input (weighted average) |
|---|---|---|---|
| *Completed investment properties* | | | |
| Direct comparison method and income capitalisation method | (i) | Capitalisation rate (%) | 7% |
| | (ii) | Annual rental income | RMB61,197,642 per annum |
| | (iii) | Price per square metre (s.q.m) | RMB8,774 per s.q.m |
| Direct comparison method | (i) | Price per square metre | RMB1,500-RMB8,070 per s.q.m |
| Direct comparison method and depreciated replacement cost method | (i) | Replacement cost per square metre | RMB1,331 per s.q.m |
| | (ii) | Physical depreciation rate | 33%-74% |
| | (iii) | Price per square metre | RMB1,850-RMB2,000 per s.q.m |
| *Investment properties under construction* | | | |
| Direct comparison method | (i) | Price per square metre | RMB279-RMB3,489 per s.q.m |

Under the direct comparison method, comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The income capitalisation approach was used to cross-check the valuation results from the direct comparison method as some of the properties is held for earning rental income. The income capitalisation approach is applied based on net rental income that can be generated from the properties under the master lease to be executed for the properties with the allowance on the reversionary interest upon expiry of the master lease.

The aforementioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

The assessment of the depreciated replacement cost requires an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, and so on.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

An increase/(decrease) in the capitalisation rate in isolation would result in a decrease/(increase) in the fair value of the investment properties, while an increase/(decrease) in the annual rental income, price per square meter, replacement cost per square meter and physical depreciation rate in isolation would each result in an increase/(decrease) in the fair value of the investment properties.

(c) The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

(d) At 31 December 2013, certain investment properties of the Group with aggregate carrying amounts of HK$2,382,102,000 (2012: Nil) and HK$96,254,000 (2012: HK$95,865,000), respectively, were pledged to secure certain bank loans (note 30(a)) and other loans (note 30(b)) granted to the Group, respectively.

(e) At 31 December 2012, certain investment properties of the Group with a then aggregate carrying amount of HK$34,914,000 were distrained by a district court in Mainland China in connection with certain legal proceedings against the Group. Such distraint was withdrawn by the court upon the settlement of the litigations during the year, as further detailed in note 32 to the financial statements.

## 17. PREPAID LAND LEASE PAYMENTS

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 January | **245,622** | 252,596 |
| Additions | **21,904** | – |
| Amortisation provided during the year | **(6,766)** | (6,566) |
| Exchange realignment | **10,028** | (408) |
| Carrying amount at 31 December | **270,788** | 245,622 |
| Current portion included in prepayments, deposits and other receivables (note 25) | **(7,174)** | (6,579) |
| Non-current portion | **263,614** | 239,043 |

Notes:

(a) All parcels of leasehold land of the Group are situated in Mainland China and held under medium term leases.

(b) At 31 December 2013, certain land use rights to which the prepaid land lease payments of the Group relate, with an aggregate carrying amount of HK$45,455,000 (2012: HK$44,914,000) were pledged to secure certain other loans granted to the Group (note 30(b)).

(c) At 31 December 2013, certain of the Group's prepaid land lease payments with a carrying amount of HK$22,209,000 (2012: Nil) was sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 18. GOODWILL

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Cost and net carrying amount at 1 January and 31 December | **149,881** | 149,881 |

**Impairment testing of goodwill**

The net carrying amount of goodwill as at 31 December 2013 and 2012 acquired through an acquisition in a prior year has been allocated to the logistics business segment of the Group for impairment testing.

The recoverable amount of the logistics business segment has been determined by reference to the fair value less costs of disposal of each relevant business units comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, significant unobservable inputs (Level 3) as defined in HKFRS 13 were used. For business units operating the completed investment properties, their fair values less costs of disposal were assessed using the same valuation techniques and inputs as those used for assessing the fair values of the respective completed investment properties as further detailed in note 16(b) to the financial statements. For business units with investment properties under construction and other projects, fair values less costs of disposal were determined by reference to the business valuations performed by Asset Appraisal Limited, independent professionally qualified valuers, based on the net present value of the future estimated cash flows (expressed in real terms) expected to be generated from each of the projects after the construction and development are completed (based on the most recent development plan prepared by the management), using assumptions a market participant may take into account and discounted using a real post-tax discount rate that reflect current market assessments of the time value of money and risks specific to this segment.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2013 (2012: Nil).

**Key assumptions used in assessing fair value less costs of disposal other than completed investment properties**

The following describes each key assumption adopted by management in the preparation of the cash flow projections of projects under construction and development for the purpose of impairment testing of goodwill:

- *Budgeted turnover*

  In respect of the revenue from these projects, the budgeted turnover is based on the total projected gross floor area of the warehouses to be built, the rent and the occupancy rate of individual projects.

- *Growth rate*

  A growth rate of 3% is used for the perpetual period.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 18. GOODWILL (Continued)

**Key assumptions used in assessing fair value less costs of disposal other than completed investment properties (Continued)**

- *Budgeted gross margins*

  The basis used to determine the value assigned to budgeted gross margins is the average gross margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and the experience of management on the operation of the logistics business.

- *Discount rate*

  The discount rate applied to the cash flow projections is 12.4%, which is determined by reference to the average rates for similar industries and the business risks of the logistic business segment of the Group.

- *Business environment*

  There have been no major changes in the existing political, legal and economic conditions in Mainland China.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of the logistic business segment cash-generating unit to exceed its recoverable amount.

## 19. INTERESTS IN SUBSIDIARIES

| | | Company | |
|---|---|---|---|
| | Notes | **2013 HK$'000** | 2012 HK$'000 |
| Investments in subsidiaries, included in non-current assets | | | |
| Unlisted shares, at cost | (a), (b) | **140,972** | 132,506 |
| Due from subsidiaries | (c) | **1,866,462** | 1,173,909 |
| | | **2,007,434** | 1,306,415 |
| Due from subsidiaries, included in current assets | (c), (d) | **663,532** | 558,267 |
| Due to subsidiaries, included in current liabilities | (c) | **(11,743)** | (11,568) |
| Total interests in subsidiaries | | **2,659,223** | 1,853,114 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 19. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) Particulars of the principal subsidiaries are as follows:

| Company name | Place of incorporation/ registration and business | Nominal value of issued and paid-up capital/ registered capital | Percentage of attributable equity interest held by Company | Percentage of attributable equity interest held by Group | Principal activities |
|---|---|---|---|---|---|
| 北京陸港國際物流有限公司("Lugang") | PRC/Mainland China | RMB199,095,322 | – | 82.24 | Provision of logistics services |
| 北京允中投資咨詢有限公司("BYZCC")^# | PRC/Mainland China | US$10,000,000 | – | 100 | Office management |
| China Logistics Infrastructures (Holdings) Limited | British Virgin Islands/ Hong Kong | US$1.00 | 100 | 100 | Investment holding |
| Oriental Union Investments Limited#@ | Hong Kong | HK$10,000 | 99.90 | 99.90 | Investment holding |
| Hong Kong High Broad International Investment Group Limited ("High Broad HK")@ | Hong Kong | HK$100 | – | 100 | Investment holding |
| Hong Kong High Church Group Limited ("High Church HK")@ | Hong Kong | HK$100 | – | 70 | Investment holding |
| Phoenix Real Estate Fund Wai Gao Qiao Holdings Limited ("Phoenix HK")@ | Hong Kong | HK$1,094 | – | 100 | Investment holding |
| Peace Base Holdings Limited@ | Hong Kong | HK$10,000 | – | 100 | Investment holding |
| 衢州通成國際物流有限公司^# | PRC/Mainland China | RMB49,800,000 | – | 100 | Logistics facilities development |
| 天津萬士隆國際物流有限公司 ("WSL Logistic")@ | PRC/Mainland China | US$6,660,000 | – | 70 | Provision of logistics services |
| 天域萬隆物流(天津)有限公司 ("High Church Tianjin")^@ | PRC/Mainland China | US$6,500,000 | – | 70 | Logistics facilities development |
| 上海凡宜和倉儲有限公司 ("Phoenix Shanghai")^@ | PRC/Mainland China | US$98,500,000 | – | 100 | Provision of logistics services |

^ Registered as wholly-foreign-owned enterprises under PRC law.

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ Acquired during the year, further details are set out in note 37 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(a) (Continued)

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

In the opinion of the directors, there is no subsidiary having material non-controlling interest that requires disclosure under HKFRS 12.

(b) At 31 December 2013, the 99.9% equity interest in Oriental Union with a carrying amount of HK$54,448,000, and the equity interests in Phoenix HK and Phoenix Shanghai with carrying amounts of HK$669,146,000 and HK$1,650,888,000, respectively, were pledged to secure certain bank loans granted to the Group (note 30(a)).

(c) The amounts due from subsidiaries included in non-current assets above are, in the opinion of the directors, considered as quasi-equity loans to the subsidiaries.

The amounts due from/to subsidiaries included in current assets/liabilities are unsecured, interest-free and have no fixed terms of repayment.

(d) During the year ended 31 December 2012, the Company recognised an impairment loss in profit or loss for an amount of HK$53,000 due from a subsidiary. The relevant subsidiary was disposed of during the prior year and the impairment loss was derecognised upon disposal.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 20. INTERESTS IN JOINT VENTURES

| | Notes | Group 2013 HK$'000 | Group 2012 HK$'000 |
|---|---|---|---|
| Investments in joint ventures, included in non-current assets | | | |
| Share of net assets | (a) | **934,592** | 309,057 |
| Goodwill on acquisition | (b) | **8,595** | – |
| | (c) | **943,187** | 309,057 |
| Due from joint ventures, included in current assets | (d) | **311,932** | 322,672 |
| Due to joint ventures, included in current liabilities | (d) | **(48,291)** | (3,198) |
| Total interests in joint ventures | | **1,206,828** | 628,531 |

At 31 December 2013, the Company has an amount due from a joint venture of HK$15,050,000 (2012: Nil).

Notes:

(a) (i) Particulars of the Group's joint ventures, which are all indirectly held by the Company, are as follows:

| Company name | Place of incorporation/ registration and business | Nominal value of paid-up capital/ registered capital | Percentage of: Ownership interest attributable to the Group | Percentage of: Voting power | Percentage of: Profit sharing | Principal activities |
|---|---|---|---|---|---|---|
| 北京北建通成國際物流有限公司 | PRC/Mainland China | RMB500,000,000 | 76 | 76 | 76 | Logistics facilities development |
| 廣州光明房產建設有限公司 | PRC/Mainland China | US$28,080,000 | 80 | 80 | 80 | Leasing and provision of management service of a shopping mall |

In the opinion of the directors, notwithstanding that the Group has over 50% voting power in these joint ventures, the Group only has joint controls over these joint ventures because unanimous approval from all directors of these entities is required for any resolution raised at their respective directors' meeting.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 20. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(a) (ii) Material joint ventures disclosure

At 31 December 2013, both BIPL and Guangzhou Guangming (acquired through the acquisition of Oriental Union on 31 December 2013, as further detailed in note 37(a)(iv) to the financial statements) (2012: only BIPL, the sole joint venture) are considered material joint ventures of the Group and are both accounted for using the equity method in the consolidated financial statements.

The following tables illustrate the summarised financial information of each of BIPL and Guangzhou Guangming, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

| | BIPL | | Guangzhou Guangming |
|---|---|---|---|
| | **2013** HK$'000 | **2012** HK$'000 | **2013** HK$'000 |
| **Summarised statement of financial position of the material joint ventures:** | | | |
| Current assets | 863,711 | 975,805 | 207,632 |
| Non-current assets | 41,295 | 10,725 | 1,823,627 |
| Current liabilities | (308,040) | (392,190) | (1,229,935) |
| Non-current liabilities | – | – | (200,202) |
| Net assets | 596,966 | 594,340 | 601,122 |
| The above amounts of assets and liabilities include the following: | | | |
| Cash and cash equivalents | 428,488 | 366,056 | 15,296 |
| Current financial liabilities (excluding trade and other payables and provisions) | (283,025) | (399,578) | (430,789) |
| Non-current liabilities (excluding trade and other payables and provisions) | – | – | – |
| *Reconciliation to the Group's investments in the joint ventures* | | | |
| Proportion of the Group's ownership | 76% | 52% | 80% |
| Group's share of net assets of the joint ventures, excluding goodwill | 453,694 | 309,057 | 480,898 |
| Goodwill on acquisition (note (b)) | 8,595 | – | – |
| Carrying amount of the investments | 462,289 | 309,057 | 480,898 |
| **Summarised statement of profit or loss and other comprehensive income of the material joint venture** | | | |
| Interest income | 3,689 | 1,942 | |
| Interest expenses | (21,622) | (27,324) | |
| Depreciation and amortisation | (145) | (18) | |
| Other income and expenses, net | (11,707) | (907) | |
| Income tax credit | 7,468 | 6,401 | |
| Loss for the year from continuing operations | (22,317) | (19,906) | |
| Profit for the year from discontinued operations | – | – | |
| Other comprehensive income | 16,322 | – | |
| Total comprehensive loss for the year | (5,995) | (19,906) | |
| Share of the joint venture's loss for the year | (16,961) | (10,351) | |

* Financial information with respect to the operating performance of Guangzhou Guangming for the year is not disclosed as it was acquired by the Group on 31 December 2013, thus it had no profit or loss contribution to the Group for the year.

** No dividend was declared by the above material joint ventures during the years ended 31 December 2013 and 2012.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 20. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) On 24 December 2012, the Group has entered into an equity transfer agreement with the other investors of BIPL, pursuant to which the Group agreed to acquire an additional 24% equity interest in BIPL from one of the investors at a consideration of RMB38,520,000 (equivalent to HK$48,921,000) together with the third capital injection to BIPL of RMB81,480,000 (equivalent to HK$104,352,000). The transaction was completed during the year and the Group's investment in BIPL has been increased by HK$153,273,000. On the date of completion, the fair value of the 24% equity interest in BIPL was assessed as HK$144,678,000 and the Group recorded a goodwill of HK$8,595,000 on acquisition, which was capitalised as an asset and included in the Group's investments in joint ventures.

(c) At 31 December 2013, the Group's investment in Guangzhou Guangming with a carrying amount of HK$480,898,000 was pledged to secure certain of the bank loans granted to the Group (note 30(a)) and Guangzhou Guangming.

(d) The Group's amounts due from joint ventures as at 31 December 2013 included entrusted bank loans with an aggregate amount of RMB221,000,000 (equivalent to HK$283,035,000) (2012: RMB262,000,000, equivalent to HK$322,672,000 at the then exchange rate) provided by the Group to finance the business development of BIPL. The entrusted bank loans bear interest at the rate of 7.1% (2012: range from 7.1% to 7.6%) per annum and are fully repayable in 2014 (2012: repayable in 2013).

Except for the above, all other balances with joint ventures included in current assets/liabilities of the Group and the Company as at 31 December 2013 and 2012 are unsecured, interest-free and have no fixed terms of repayment.

## 21. INVESTMENTS IN ASSOCIATES

| | | Group | |
|---|---|---|---|
| | Notes | **2013 HK$'000** | 2012 HK$'000 |
| Share of net assets | (a), (b) | **29,626** | 64,702 |
| Goodwill on acquisition | (c) | **20,952** | – |
| Provision for impairment | (d) | **–** | (14,670) |
| | | **50,578** | 50,032 |

Notes:

(a) Particulars of the principal associate, which was acquired during the year, are as follows:

| | | | Percentage of | | | |
|---|---|---|---|---|---|---|
| **Company name** | **Place of registration and business** | **Registered capital** | **Ownership interest attributable to the Group** | **Voting power** | **Profit sharing** | **Principal activity** |
| 海口安基實業發展有限公司# ("Haikou Peace Base") | PRC/Mainland China | RMB60,000,000 | 40 | 40 | 40 | Logistics facilities development |

# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 21. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(a) (Continued)

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

During the current year, the Group has discontinued the recognition of its share of losses of 北京世聯國際商業網絡中心有限公司, an associate owned as to 30% by the Group, because the share of losses of this associate exceeded the Group's interest in this associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were both HK$274,000 (2012: Nil).

(b) Material associate disclosure

At 31 December 2013, Haikou Peace Base (acquired during the year (note (c)) (2012: 北京京津港國際物流有限公司 ("Jingjingang") (disposed of during the year)) is considered as a material associate of the Group and is accounted for using equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

| | **Haikou Peace Base 2013 HK$'000** | Jingjingang 2012 HK$'000 |
|---|---|---|
| **Summarised statement of financial position of the material associate** | | |
| Non-current assets | **19,368** | 75,417 |
| Current assets | **54,853** | 101,036 |
| Current liabilities | **(156)** | (26,522) |
| Net assets | **74,065** | 149,931 |
| *Reconciliation to the Group's interest in the associate* | | |
| Proportion of the Group's ownership | **40%** | 33.37% |
| Group's share of net assets of the associate, excluding goodwill | **29,626** | 50,032 |
| Goodwill on acquisition (note (c)) | **20,952** | – |
| Carrying amount of the investment | **50,578** | 50,032 |
| **Summarised operating performance of the material associate** | | |
| Loss for the year | **(2,735)** | (14,482) |
| Other comprehensive income | **1,111** | – |
| Total comprehensive loss for the year | **(1,624)** | (14,482) |
| Share of the associate's loss for the year | **(1,094)** | (4,833) |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 21. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Material associate disclosure (Continued)

During the year, pursuant to an equity transfer agreement entered into between the Group and one of the investors of Jingjingang, the Group disposed of 31.04% equity interest in Jingjingang to that investor at a consideration of RMB40,800,000 (equivalent to HK$51,469,000). After the transaction, the Group retained 2.33% equity interest in Jingjingang. In the opinion of the directors, the Group ceased to have a significant influence over Jingjingang and accordingly, the retained interest was reclassified as an available-for-sale equity investment during the year.

The Group's share of loss for the year and total comprehensive loss for the year of associates that are not individually material amounted to HK$8,000 (2012: Nil). At 31 December 2013, the Group's carrying amount of the investments in associates was solely attributable to Haikon Peace Base (2012: Jingjingang).

(c) In July 2013, the Group acquired 40% equity interest in Haikou Peace Base at a consideration of RMB40,000,000 (equivalent to HK$51,228,000). On the date of the transaction, the fair value of the 40% equity interest in Haikou Peace Base was assessed as HK$30,276,000 and the Group recorded a goodwill of HK$20,952,000 which was capitalised as an asset and included in the Group's investments in associates.

(d) The movements in the provision for impairment of investments in associates during the year are as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| At 1 January | **14,670** | 14,693 |
| Disposal of an associate | **(15,026)** | – |
| Exchange realignment | **356** | (23) |
| At 31 December | **–** | 14,670 |

## 22. AVAILABLE-FOR-SALE EQUITY INVESTMENT

The Group's available-for-sale equity investment as at 31 December 2013 represented the 2.33% retained interest in Jingjingang, which is an unlisted equity investment stated at fair value. The fair value of the available-for-sale equity investment was determined by the management with reference to the fair value of the underlying assets held by the investee. Inputs in assessing the fair value were non-market observable and are therefore included within Level 3 fair value hierarchy as defined in HKFRS 13. The management believes that the estimated fair value based on the valuation, which is recorded in the consolidated statement of financial position, is reasonable.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 23. DEPOSITS PAID FOR ACQUISITIONS OF A BUSINESS AND NON-CURRENT ASSETS

The deposits paid for acquisitions of a business and non-current assets as at 31 December 2013 included (i) tendering deposits of RMB120,000,000 (equivalent to HK$153,691,000) paid for the acquisition of 75% equity interest in 北京金都假日飯店有限公司 ("Holiday Inn BJ") from an independent third party, as further detailed in note 47(a) to the financial statements; (ii) deposits of HK$47,221,000 paid by Oriental Union, a subsidiary acquired by the Group on 31 December 2013 (note 37(a)(iv)), for the acquisition of an additional 19% equity interest in Guangzhou Guangming, a joint venture of the Group; and (iii) a deposit of HK$41,625,000 paid for the acquisition of an office building in Beijing, the PRC.

The deposits of HK$15,200,000 paid for land use rights as at 31 December 2012 represented deposits paid for the acquisition of land use rights in Quzhou City, Jiangsu Province, the PRC, of which the Group intends to hold on a long term basis. The balance has been transferred to prepaid land lease payments (note 17) upon the completion of the acquisition of the land use rights in January 2013.

## 24. TRADE RECEIVABLES

Trade receivables of the Group as at 31 December 2013 and 2012 represented rental income receivable from tenants of the Group's investment properties. Overdue trade receivables were not impaired as they were fully collateralised by the security deposits paid by the relevant tenants.

(a) An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Within one month | **4,751** | 253 |
| One to three months | **10,744** | – |
| Four to six months | **607** | – |
| Over six months | **16** | – |
| | **16,118** | 253 |

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired, is as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **8,445** | 253 |
| Less than three months past due | **7,173** | – |
| Four to six months past due | **500** | – |
| | **16,118** | 253 |

# NOTES TO FINANCIAL STATEMENTS

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## 24. TRADE RECEIVABLES (Continued)

(b) At 31 December 2013, certain trade receivables amounting to HK$15,885,000 (2012: Nil) were pledged to secure certain bank loans granted to the Group (note 30(a)).

(c) During the year ended 31 December 2012, a provision for trade receivables amounting to HK$452,000, which was solely attributable to the Zenna Group, was derecognised upon the disposal of Zenna Group during that year. There was no movement or balance of provision of trade receivables as at 31 December 2013 and for the year then ended.

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | Notes | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Prepayments | | **3,072** | 652 | **681** | 585 |
| Prepaid land lease payments – current portion | 17 | **7,174** | 6,579 | **–** | – |
| Deposits and other receivables | (a) | **1,327** | 42,930 | **88** | 97 |
| Consideration receivable for disposal of an associate | (b) | **47,027** | – | **–** | – |
| | | **58,600** | 50,161 | **769** | 682 |
| Portion classified as current assets | | **(32,986)** | (50,161) | **(769)** | (682) |
| Non-current portion | | **25,614** | – | **–** | – |

Notes:

(a) The Group's deposits and other receivables as at 31 December 2012 included a cash advance of RMB34,920,000 (equivalent to HK$42,721,000) made to a joint venture partner of BIPL for its capital injection to BIPL in September 2012. The cash advance was settled upon the Group acquiring its interest in BIPL from that joint venture partner during the year, further details of which are set out in note 20(b).

(b) During the year, the Group disposed of 31.04% equity interest in Jingjingang, a then associate, to one of the other investors of Jingjingang at a consideration of RMB40,800,000 (equivalent to HK$51,469,000), of which RMB4,080,000 (equivalent to HK$5,147,000) was received during the year; RMB16,720,000 (equivalent to HK$21,413,000) will be received in 2014 and the remaining balance of RMB20,000,000 (equivalent to HK$25,614,000), which was classified as a non-current asset, will be settled in 2015.

# NOTES TO FINANCIAL STATEMENTS

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## 26. BALANCES WITH RELATED PARTIES AND A LOAN FROM A NON-CONTROLLING SHAREHOLDER

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Due from other related parties | **10** | 144 | **–** | – |
| Due to related parties: | | | | |
| – the immediate holding company | **41,841** | – | **41,841** | – |
| – fellow subsidiaries | **268,965** | – | **–** | – |
| – other related parties | **11,715** | 138,907 | **–** | – |
| | **322,521** | 138,907 | **41,841** | – |
| Portion classified as current liabilities | **(322,521)** | (138,907) | **(41,841)** | – |
| Non-current portion | **–** | – | **–** | – |

Except for the loan from a non-controlling shareholder of a subsidiary which is not repayable within one year from the end of the reporting period and included in non-current liabilities, the balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

During the year, pursuant to the Group Reorganisation as detailed in note 1 to the financial statements, the Company became a subsidiary of Beijing Enterprises Group and certain other related parties as at 31 December 2012 became fellow subsidiaries of the Group during the year. Accordingly, the balances with these entities have been reclassified to amounts due to fellow subsidiaries during the year.

## 27. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | Notes | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances other than time deposits | | **448,188** | 183,971 | **102,891** | 41,904 |
| Time deposits | | **19,966** | 1,585,396 | **12,807** | 753,542 |
| | (a) | **468,154** | 1,769,367 | **115,698** | 795,446 |
| Less: Restricted cash | (b) | **(199,633)** | – | **–** | – |
| Cash and cash equivalents | | **268,521** | 1,769,367 | **115,698** | 795,446 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 27. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS (Continued)

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2013, the cash and bank balances of the Group and the Company denominated in RMB amounted to HK$374,237,000 (2012: HK$1,324,798,000) and HK$77,149,000 (2012: HK$721,182,000), respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) At 31 December 2013, the usage of the Group's bank balances amounting to HK$199,633,000 (2012: Nil)) were restricted to use in warehouse leasing activities by a bank in accordance with the bank loan agreements of certain bank loans granted to the Group (note 30(a)).

## 28. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 |
| Within one month | **102** | – |
| Two to three months | **557** | 228 |
| | **659** | 228 |

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

## 29. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 | **2013 HK$'000** | 2012 HK$'000 |
| Accruals | **19,985** | 25,368 | **2,721** | 175 |
| Receipts in advance and rental deposits received from tenants | **39,380** | 910 | **–** | – |
| Other payables | **21,442** | 3,892 | **358** | 777 |
| | **80,807** | 30,170 | **3,079** | 952 |

Other payables are non-interest-bearing and have an average term of three months.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 30. BANK AND OTHER BORROWINGS

| | | Group | |
|---|---|---|---|
| | Notes | **2013** **HK$'000** | 2012 HK$'000 |
| Bank loans, secured | (a) | **1,065,145** | – |
| Other loans: | | | |
| Secured | (b) | **35,860** | 47,108 |
| Unsecured | | **11,386** | 19,898 |
| | | **47,246** | 67,006 |
| Total bank and other borrowings | (c) | **1,112,391** | 67,006 |
| Portion classified as current liabilities | | **(207,722)** | (32,294) |
| Non-current portion | | **904,669** | 34,712 |
| **Analysed into:** | | | |
| Bank loans repayable: | | | |
| Within one year or on demand | | **160,476** | – |
| In the second year | | **12,059** | – |
| In the third to fifth years, inclusive | | **892,610** | – |
| | | **1,065,145** | – |
| Other loans repayable: | | | |
| Within one year | | **47,246** | 32,294 |
| In the second year | | **–** | 34,712 |
| | | **47,246** | 67,006 |
| Total bank and other borrowings | | **1,112,391** | 67,006 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 30. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) At 31 December 2013, certain of the Group's bank loans bear interest at the rate of three-month USD LIBOR plus a margin of 3.25% per annum and are repayable by quarterly instalments up to 2016 and certain of the Group's bank loans bore interest at the rate of one-month HIBOR plus a margin of 1.5% per annum and were due in June 2013 (subsequently extended to 2016 with interest at the rate of one-month HIBOR plus a margin of 3.1%).

The above-mentioned bank loans as at 31 December 2013 are secured by (i) certain investment properties (note 16(d)); (ii) certain equity interests of subsidiaries (note 19(b)); (iii) certain equity interest of a joint venture (note 20(c)); (iv) certain trade receivables (note 24(b)); and (v) certain bank balances (note 27 (b)) of the Group. In addition, the Group's bank loans as at 31 December 2013 are guaranteed by the Company and certain of the bank loans are also jointly and severally guaranteed by the Company and two subsidiaries of the Company.

(b) At 31 December 2013, the Group's secured other loans bear interest at the rate of 5.4% per annum (2012: at a range from 5.4% to 9.71% per annum) and are secured by (i) certain buildings (note 15(b)); (ii) certain investment properties (note 16(d)); and (iii) certain land use rights (note 17(b)) of the Group and are repayable by 2014. At 31 December 2012, the Group's secured other loans were also secured by corporate guarantees given by a non-controlling equity holder of Lugang.

At 31 December 2012, the Group's secured other loans included two other loans in a total principal amount of RMB10,250,000 (equivalent to HK$12,624,000, at the then exchange rate) which bore interest at rates ranging from 8.54% to 9.71% per annum and had been overdue during the years ended 31 December 2012 and 2011. The interest payables and penalties of the two overdue other loans amounted to HK$11,171,000 and HK$10,049,000 as at 31 December 2012. During the year, these overdue other loans had been settled according to a debt restructuring agreement entered into between the Group and the lender. Since the ultimate settlement amount, including interest and penalties, was less than the amounts carried in the consolidated statements of financial position, a gain on debt restructuring amounting to HK$17,455,000 was recognised during the year (note 5).

(c) At 31 December 2012, the Group's unsecured other loans included an entrusted loan from a subsidiary of a substantial shareholder of the Company in a principal amount of RMB7,000,000 (equivalent to HK$8,621,000, at the then exchange rate) which bore interest at the rate of 6.56% per annum and had been settled during the year.

(d) At 31 December 2013, the bank and other borrowings were denominated in the following currencies:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong dollars | **152,040** | – |
| RMB | **47,246** | 67,006 |
| United States dollars | **913,105** | – |
| | **1,112,391** | 67,006 |

(e) The loan agreement of a bank loan of the Group in a carrying amount of HK$913,105,000 (2012: Nil) as at 31 December 2013 includes a covenant imposing specific performance obligation on Beijing Enterprises Group, the ultimate shareholder of the Company, under which it would constitute an event of default in the loan facility if the Company is less than 40% directly or indirectly ultimately owned by Beijing Enterprise Group. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 31. CONVERTIBLE BONDS

The Company had two batches of convertible bonds outstanding during the years ended 31 December 2013 and 2012, the summary information of which is set out as follows:

| | **Placing Convertible Bonds*** (note (a)) | **Convertible Bonds*** (note (b)) |
|---|---|---|
| Issuance date | 3 December 2010 | 31 December 2010 |
| Maturity date | 2 December 2015 | 30 December 2015 |
| Redemption option of the convertible bond holders | Any day after the first anniversary of the issuance date | |
| Original principal amount (HK$'000) | 499,850 | 1,500,000 |
| Coupon rate | Zero | Zero |
| Conversion price per ordinary share of the Company (HK$) | 0.65 | 0.65 |

* As defined in the respective circulars of the Company in connection with issuance of the convertible bonds.

Notes:

(a) The Placing Convertible Bonds were issued to certain independent third parties on 3 December 2010 by a placing agent pursuant to a placing agreement dated 25 June 2010 for the purpose of financing future investments in property and logistics business operations in the PRC and providing additional working capital to the Group.

(b) The Convertible Bonds were issued to BEGBVI on 31 December 2010, pursuant to a subscription agreement dated 25 June 2010 for the purpose of financing future investments in the property and logistics business operations and providing additional working capital to the Group. During the year, pursuant to the Group Reorganisation carried out by Beijing Enterprises Group as further detailed in note 1 to the financial statements, BEGBVI transferred the Convertible Bonds to BEREHK, which is a wholly-owned subsidiary of Beijing Enterprises Group.

Further details of the Placing Convertible Bonds and the Convertible Bonds are set out in the Company's circular dated 16 August 2010 and announcements dated 25 June 2010, 29 June 2010, 29 October 2010 and 3 December 2010, respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 31. CONVERTIBLE BONDS (Continued)

Each batch of these convertible bonds was bifurcated into a liability component and an equity component for accounting purposes, as further described in the accounting policy for "Convertible bonds" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, the liability and equity components of the Company's convertible bonds during the years ended 31 December 2013 and 2012:

**Group and Company**

| | Notes | Placing Convertible Bonds HK$'000 | Convertible Bonds HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Principal amount outstanding** | | | | |
| At 1 January 2012 | | 364,000 | 1,500,000 | 1,864,000 |
| Redemption | | (317,850) | – | (317,850) |
| At 31 December 2012 and 1 January 2013 | | 46,150 | 1,500,000 | 1,546,150 |
| Conversion to ordinary shares | 34(b) | – | (1,483,040) | (1,483,040) |
| Redemption | | (44,200) | (16,960) | (61,160) |
| At 31 December 2013 | | 1,950 | – | 1,950 |
| **Liability component** | | | | |
| At 1 January 2012 | | 320,284 | 1,362,318 | 1,682,602 |
| Redemption | | (282,693) | – | (282,693) |
| Imputed interest expense | 7 | 4,366 | 33,280 | 37,646 |
| At 31 December 2012 and 1 January 2013 | | 41,957 | 1,395,598 | 1,437,555 |
| Imputed interest expense | 7 | 469 | 20,369 | 20,838 |
| Transfer to share capital and share premium account upon conversion to ordinary shares | 34(b) | – | (1,400,000) | (1,400,000) |
| Redemption | | (40,594) | (15,967) | (56,561) |
| At 31 December 2013 | | 1,832 | – | 1,832 |
| **Equity component (included in the convertible bond equity reserve)** | | | | |
| At 1 January 2012 | | 48,141 | 168,848 | 216,989 |
| Redemption | | (42,037) | – | (42,037) |
| At 31 December 2012 and 1 January 2013 | | 6,104 | 168,848 | 174,952 |
| Transfer to share capital and share premium account upon conversion to ordinary shares | 34(b) | – | (166,940) | (166,940) |
| Redemption | | (5,846) | (1,908) | (7,754) |
| At 31 December 2013 | | 258 | – | 258 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 32. PROVISION FOR LITIGATIONS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| At 1 January | **207,090** | – |
| Transfer from other liabilities | **–** | 190,867 |
| Additional provision | **15,766** | 16,489 |
| Reversal of provision upon settlement of litigations | **(155,099)** | – |
| Settlement during the year | **(72,789)** | – |
| Exchange realignment | **5,032** | (266) |
| At 31 December | **–** | 207,090 |

In May 2012, legal proceedings (the "Legal Proceedings") were brought by a bank in Mainland China (the "Bank") against a non-controlling equity holder of Lugang, an 82.24%-owned subsidiary of the Group as the first defendant and Lugang as the second defendant, for the repayment obligations in respect of certain overdue bank loans owing to the Bank (the "Bank Loans"), by the non-controlling equity holder of Lugang. As at 31 December 2012, the provision for litigations in respect of the Legal Proceedings carried in the consolidated statement of financial position amounted to RMB168,151,000 (equivalent to HK$207,090,000), of which RMB13,416,000 (equivalent to HK$16,489,000) was recognised in profit or loss during the year ended 31 December 2012.

In respect of these litigations, certain investment properties of the Group with an aggregate carrying amount of HK$34,914,000 as at 31 December 2012 were distrained by a district court in Mainland China (note 16(e)).

On 6 December 2013, the Bank and Lugang, among others, entered into a settlement agreement in respect of the settlement of all the repayment obligations of Lugang under the Bank Loans. The principal terms of the settlement agreement are set out as follows:

1. up to 20 June 2013, the aggregate outstanding principal amount and interests (including overdue penalty interest) under the Bank Loans were RMB47,700,000 (the "Principal") and RMB125,265,000 (the "Interests") respectively;

2. in order to repay the Principal and the Interests under the Bank Loans, Lugang shall repay the Principal of RMB47,700,000, the Interests in the sum of RMB10,000,000 and the Bank's litigation costs for the sum of RMB615,000 to the Bank (an aggregate of RMB58,315,000, collectively, the "Settlement Sum"); and

3. the Bank shall waive a portion of the Interests in the sum of RMB115,265,000 accrued under the Bank Loans up to 20 June 2013 and any other interests accrued thereafter.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 32. PROVISION FOR LITIGATIONS (Continued)

On 9 December 2013, Lugang paid the Settlement Sum to the Bank and the Bank withdrew the Legal Proceedings from the court. Up to 9 December 2013, the provision for litigations in respect of the Legal Proceedings carried in the consolidated statement of financial position amounted to RMB180,648,000 (equivalent to HK$231,356,000), of which RMB12,497,000 (equivalent to HK$15,766,000) was recognised in profit or loss during the year. After the payment of the settlement sum in respect of the Principal and the Interest, amounting to RMB57,700,000 (equivalent to HK$72,789,000), an over provision in the amount of RMB122,948,000 (equivalent to HK$155,099,000), being the waived provision for litigations, had been written back in profit or loss during the year.

Further details of the settlement arragement are are set out in the Company's announcement dated 9 December 2013.

On 12 December 2013, Lugang received verdicts from the court for the withdrawal of the distraint of certain investment properties from Lugang.

## 33. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Deferred tax assets | **–** | 17 |
| Deferred tax liabilities | **(350,481)** | (66,424) |
| | **(350,481)** | (66,407) |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 33. DEFERRED TAX (Continued)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

**Group**

| | Notes | Fair value adjustments arising from acquisition of subsidiaries HK$'000 | Revaluation of properties HK$'000 | Withholding taxes HK$'000 | Others HK$'000 | Net deferred tax liabilities HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2012 | | (41,935) | (23,756) | (18,534) | 39,866 | (44,359) |
| Net deferred tax credited/(charged) to profit or loss during the year | 11 | 1,107 | (1,738) | – | – | (631) |
| Disposal of subsidiaries | 38 | – | – | 18,534 | (40,158) | (21,624) |
| Exchange realignment | | (61) | (24) | – | 292 | 207 |
| At 31 December 2012 and 1 January 2013 | | (40,889) | (25,518) | – | – | (66,407) |
| Acquisition of subsidiaries | 37 | – | (230,589) | – | – | (230,589) |
| Net deferred tax charged to profit or loss during the year | 11 | (1,635) | (48,440) | – | – | (50,075) |
| Exchange realignment | | (1,615) | (1,795) | – | – | (3,410) |
| At 31 December 2013 | | (44,139) | (306,342) | – | – | (350,481) |

Notes:

(a) At 31 December 2013, deferred tax assets have not been recognised in respect of unused tax losses of HK$99,705,000 (2012: HK$149,086,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$52,987,000 (2012: HK$102,368,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2012: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$15,354,000 (2012: Nil) in aggregate as at 31 December 2013.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2012: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 34. SHARE CAPITAL

**Share**

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK$0.10 each | **1,000,000** | 1,000,000 |
| Issued and fully paid: | | |
| 6,243,121,654 (2012: 3,837,788,500) ordinary shares of HK$0.10 each | **624,312** | 383,779 |

A summary of the movements of the Company's issued capital and share premium accounts during the years ended 31 December 2013 and 2012 is as follows:

| | Notes | Number of ordinary shares in issue | Issued capital HK$'000 | Share premium account HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2012 | | 3,837,788,500 | 383,779 | 691,486 | 1,075,265 |
| Reduction of share premium account | 36(b) | – | – | (691,486) | (691,486) |
| At 31 December 2012 and 1 January 2013 | | 3,837,788,500 | 383,779 | – | 383,779 |
| Share options exercised | (a) | 300,000 | 30 | 131 | 161 |
| Shares issued upon conversion of the Convertible Bonds | (b) | 2,281,600,407 | 228,160 | 1,338,780 | 1,566,940 |
| Issue of consideration shares for business combinations | (c) | 123,432,747 | 12,343 | 61,110 | 73,453 |
| At 31 December 2013 | | 6,243,121,654 | 624,312 | 1,400,021 | 2,024,333 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 34. SHARE CAPITAL (Continued)

### Share (Continued)

Notes:

(a) The subscription rights attaching to 300,000 share options were exercised at the subscription price of HK$0.41 each (note 35(a)) for a total cash consideration, before expenses, of HK$123,000. The issued capital and share premium account were increased as to HK$30,000 and HK$93,000, respectively. Also, an amount of HK$38,000 was transferred from the share option reserve to the share premium account upon exercise of the share options.

(b) During the year, the Convertible Bonds of the Company with an aggregate principal amount of HK$1,483,040,000 were converted by BEREHK into an aggregate of 2,281,600,407 ordinary shares of the Company at the conversion price of HK$0.65 per share. The aggregate difference of HK$1,338,780,000 between the nominal value of the ordinary shares issued of HK$228,160,000 and the then aggregate carrying amounts of the liability and equity components of the convertible bonds at the respective dates of conversion amounting to HK$1,566,940,000, was transferred to the Company's share premium account.

(c) During the year, the Company allotted and issued an aggregate of 123,432,747 new ordinary shares of the Company as part of the considerations for the acquisitions of High Church HK, Phoenix HK and Oriental Union. The aggregate fair value of the ordinary shares as quoted in the Stock Exchange upon completion of the acquisitions was HK$73,453,000, of which HK$12,343,000 and HK$61,110,000 were credited to the issued capital and share premium account of the Company, respectively. Further details of the acquisitions are set out in note 37 to the financial statements.

### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

## 35. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for ten years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

### 35. SHARE OPTION SCHEME (Continued)

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

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

The following share options were outstanding under the Scheme during the year:

| | | **2013** | | 2012 | |
|---|---|---|---|---|---|
| | Notes | **Weighted average exercise price (HK$ per share)** | **Number of options '000** | Weighted average exercise price (HK$ per share) | Number of options '000 |
| At 1 January | | **0.432** | **502,913** | 0.679 | 503,400 |
| Exercised during the year | (a) | **0.410** | **(300)** | – | – |
| Granted during the year | (b) | **0.574** | **180,000** | 0.410 | 302,913 |
| Forfeited during the year | | **–** | **–** | 0.820 | (800) |
| Cancelled during the year | (c) | **–** | **–** | 0.820 | (302,600) |
| At 31 December | (d), (e) | **0.469** | **682,613** | 0.432 | 502,913 |

Notes:

(a) On 9 January 2013, 300,000 share options were exercised at an exercise price of HK$0.41 per shares (2012: Nil), resulting in the issue of 300,000 ordinary shares of the Company and increases in issued share capital of HK$30,000 and share premium account of HK$93,000 (before issue expense), respectively, as further detailed in note 34(a) to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

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## 35. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(b) The share options were granted on 23 May 2013 and 1 June 2012 during the years ended 31 December 2013 and 2012, respectively. The fair values of the options, all vested immediately on the date of grant, were determined at the dates of grant using a binomial model and ranged from HK$0.1599 to HK$0.2616 (2012: from HK$0.1274 to HK$0.2103) per option. The following table lists the inputs to the model used:

| | Date of grant | |
|---|---|---|
| | **23 May 2013** | 1 June 2012 |
| Grant date share price | **HK$0.53** | HK$0.41 |
| Exercise price | **HK$0.57** | HK$0.41 |
| Option life | **10 years** | 10 years |
| Expected volatility | **46.470%** | 47.276% |
| Dividend yield | **0%** | 0% |
| Risk-free interest rate | **1.242%** | 0.960% |

The fair values of the options have been arrived at on the basis of a valuation carried out by Assets Appraisal Limited (2012: Greater China Appraisal Limited), independent qualified professional valuers, on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in logistics and property development as of the valuation dates and reflected the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised an aggregate equity-settled share option expense of HK$36,821,000 (2012: HK$43,073,000) during the year.

(c) Pursuant to a resolution passed by the Company's directors at the board meeting held on 1 June 2012, the share options granted in 2010 (the "2010 Share Options") were cancelled. The cancellation of the 2010 Share Options was completed on 31 July 2012 and the amount of HK$85,768,000 standing to the credit of share option reserve of the Company at that time in respect of these share options was reclassified to the accumulated losses of the Company during the year ended 31 December 2012.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 35. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(d) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

| Number of options outstanding | | | |
|---|---|---|---|
| **2013** | 2012 | **Exercise price*** | **Exercise period**** |
| **'000** | '000 | (HK$ per share) | |
| **200,000** | 200,000 | 0.465 | 28-10-2011 to 27-10-2021 |
| **302,613** | 302,913 | 0.410 | 1-6-2012 to 31-5-2022 |
| **180,000** | – | 0.574 | 24-5-2013 to 23-5-2023 |
| **682,613** | 502,913 | | |

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The share options have no vesting period.

(e) At 31 December 2013, the Company had 682,613,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 682,613,000 additional ordinary shares of the Company and additional share capital of HK$68,261,000 and share premium of HK$252,130,000 (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).

## 36. RESERVES

### (a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The share option reserve of the Group and the Company comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

(iii) The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Mainland China. None of the Group's PRC reserve funds as at 31 December 2013 were distributable in the form of cash dividends.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 36. RESERVES (Continued)

### (b) Company

| | Notes | Share premium account HK$'000 (note 34) | Contributed surplus HK$'000 | Share option reserve HK$'000 | Convertible bond equity reserve HK$'000 (note 31) | Exchange fluctuation reserve HK$'000 | Retained profits/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2012 | | 691,486 | 75,130 | 121,410 | 216,989 | 67,984 | (530,020) | 642,979 |
| Profit for the year | | – | – | – | – | – | 142,337 | 142,337 |
| Other comprehensive loss for the year | | | | | | | | |
| – Exchange differences on translation | | – | – | – | – | (1,433) | – | (1,433) |
| Total comprehensive income for the year | | – | – | – | – | (1,433) | 142,337 | 140,904 |
| Equity-settled share option arrangements | 35(b) | – | – | 43,073 | – | – | – | 43,073 |
| Transfer of share option reserve due to resignation of staff and a consultant | | – | – | (180) | – | – | 180 | – |
| Transfer of share option reserve due to cancellation | 35(c) | – | – | (85,768) | – | – | 85,768 | – |
| Transfer of equity component of convertible bonds upon early redemption of convertible bonds | 31 | – | – | – | (42,037) | – | 42,037 | – |
| Reduction of share premium account (note) | | (691,486) | 348,750 | – | – | – | 342,736 | – |
| At 31 December 2012 and 1 January 2013 | | – | 423,880 | 78,535 | 174,952 | 66,551 | 83,038 | 826,956 |
| Loss for the year | | – | – | – | – | – | (57,325) | (57,325) |
| Other comprehensive income for the year | | | | | | | | |
| – Exchange differences on translation | | – | – | – | – | 80,230 | – | 80,230 |
| Total comprehensive income for the year | | – | – | – | – | 80,230 | (57,325) | 22,905 |
| Issue of shares upon conversion of shares options | 34(a), 35(a) | 131 | – | (38) | – | – | – | 93 |
| Issue of shares upon conversion of convertible bonds | 31, 34(b) | 1,338,780 | – | – | (166,940) | – | – | 1,171,840 |
| Acquisition of subsidiaries | 34(c) | 61,110 | – | – | – | – | – | 61,110 |
| Equity-settled share option arrangements | 35(b) | – | – | 36,821 | – | – | – | 36,821 |
| Transfer of equity component of convertible bonds | 31 | – | – | – | (7,754) | – | 7,754 | – |
| At 31 December 2013 | | 1,400,021 | 423,880 | 115,318 | 258 | 146,781 | 33,467 | 2,119,725 |

Note: Pursuant to a special resolution passed by the Company's shareholders at the annual general meeting on 29 June 2012, the entire amount of HK$691,486,000 standing to the credit of share premium account of the Company on 2 July 2012 was reduced to nil, with the credit arising therefrom being applied towards the then entire balance of the accumulated losses of the Company of HK$342,736,000 and the remaining balance of HK$348,750,000 being credited to the contributed surplus account of the Company. Further details of the aforesaid reduction in the share premium account of the Company are set out in the Company's announcement and circular dated 23 May 2012 and 31 May 2012, respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 37. BUSINESS COMBINATIONS

The aggregate fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year (note (a)) as at their respective dates of acquisition were as follows:

| | Notes | High Broad HK$'000 (note (a)(i)) | High Church HK$'000 (note (a)(ii)) | Phoenix HK HK$'000 (note (a)(iii)) | Oriental Union HK$'000 (note (a)(iv)) | 2013 Total HK$'000 |
|---|---|---|---|---|---|---|
| Net assets acquired: | | | | | | |
| Property, plant and equipment | 15 | 205 | – | – | – | 205 |
| Investment properties | 16 | 225,404 | 117,825 | 2,177,198 | – | 2,520,427 |
| Investment in a joint venture | 20 | – | – | – | 480,899 | 480,899 |
| Deposit paid for acquisition of additional interest in a joint venture | 23 | – | – | – | 47,221 | 47,221 |
| Trade receivables | | 12 | – | 18,003 | – | 18,015 |
| Prepayments, deposits and other receivables | | 369 | 727 | 14,736 | – | 15,832 |
| Restricted cash | | – | – | 186,439 | – | 186,439 |
| Cash and cash equivalents | | 6,823 | – | 582 | 28 | 7,433 |
| Trade payables | | – | – | (4,316) | – | (4,316) |
| Other payables and accruals | | (6,903) | (887) | (36,475) | (9,253) | (53,518) |
| Due to related parties | | – | – | – | (105,648) | (105,648) |
| Bank and other borrowings | | – | – | (766,471) | (162,040) | (928,511) |
| Income tax payables | | – | – | (4,297) | – | (4,297) |
| Loan from a non-controlling shareholder | | – | (27,812) | – | – | (27,812) |
| Deferred tax liabilities | 33 | (39,453) | (5,739) | (185,397) | – | (230,589) |
| Total identifiable net assets at fair value | | 186,457 | 84,114 | 1,400,002 | 251,207 | 1,921,780 |
| Non-controlling interests | (b) | (55,937) | (6,282) | – | – | (62,219) |
| | | 130,520 | 77,832 | 1,400,002 | 251,207 | 1,859,561 |
| Gains on bargain purchases of subsidiaries recognised in profit or loss | (c) | (3,624) | (8,370) | (246,885) | (197,862) | (456,741) |
| | | 126,896 | 69,462 | 1,153,117 | 53,345 | 1,402,820 |
| Satisfied by: | | | | | | |
| Cash | | 126,896 | 60,353 | 1,142,117 | – | 1,329,366 |
| Issue of new ordinary shares of the Company as consideration | 34(c) | – | 9,109 | 11,000 | 53,345 | 73,454 |
| | | 126,896 | 69,462 | 1,153,117 | 53,345 | 1,402,820 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 37. BUSINESS COMBINATIONS (Continued)

| | High Broad HK$'000 (note (a)(i)) | High Church HK$'000 (note (a)(ii)) | Phoenix HK HK$'000 (note (a)(iii)) | Oriental Union HK$'000 (note (a)(iv)) | 2013 Total HK$'000 |
|---|---|---|---|---|---|
| Revenue for the year since acquisition | 6,510 | – | 19,878 | – | 26,388 |
| Profit/(loss) for the year since acquisition | 3,170 | (1,227) | 9,778 | – | 11,721 |
| An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows: | | | | | |
| Cash consideration paid | (126,896) | (60,353) | (1,142,117) | – | (1,329,366) |
| Cash and bank balances acquired | 6,823 | – | 187,021 | 28 | 193,872 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (120,073) | (60,353) | (955,096) | 28 | (1,135,494) |
| Transaction costs of the acquisitions included in cash flows from operating activities | (331) | – | (1,837) | (1,815) | (3,983) |
| Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries | (120,404) | (60,353) | (956,933) | (1,787) | (1,139,477) |

Notes:

(a) Business combinations during the year included the following transactions:

(i) On 1 August 2013, the Group acquired 100% equity interest in High Broad HK and 36.07% equity interest in WSL Logistics for an aggregate cash consideration of RMB101,500,000 (equivalent to HK$126,896,000). High Broad HK is an investment holding company holding 33.93% equity interest in WSL Logistics which owns a warehouse in Tianjin Airport Economic Area for leasing out to tenants for rental income;

(ii) On 24 September 2013, the Group acquired 70% equity interest in High Church HK and a shareholder's loan amounting to RMB23,100,000 owed by High Church HK to its then shareholder for an aggregate consideration of RMB56,056,000, satisfied as to RMB48,056,000 (equivalent to HK$60,353,000) in cash and RMB8,000,000 by the issue of 15,981,289 new ordinary shares of the Company, which had a fair value of HK$9,109,000 on the completion date. High Church HK is an investment holding company holding 100% equity interest in High Church Tianjin which owns the land use right of a parcel of land located at Tianjin Airport International Logistics Zone and is in the process of acquiring the warehouses on the land for leasing in future;

(iii) On 1 November 2013, the Group acquired 100% equity interest in Phoenix HK for an aggregate consideration of US$147,855,000 (equivalent to approximately HK$1,153,117,000), as adjusted upward according to the mechanism stated in the relevant sale and purchase agreement, satisfied as to HK$1,142,117,000 in cash and US$1,573,000 (equivalent to approxiamtely HK$12,200,000) by the issue of 20,000,000 new ordinary shares of the Company, which had a fair value of HK$11,000,000 on the completion date. Phoenix HK is an investment holding company holding 100% equity interest in Phoenix Shanghai which engages in the business of leasing warehouses to logistics companies for rental income; and

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 37. BUSINESS COMBINATIONS (Continued)

Notes: (Continued)

(a) (Continued)

(iv) On 31 December 2013, the Company acquired from BHL 99.9% equity interest in Oriental Union and an interest-free shareholder's loan of HK$44,880,000 (the "Oriental Union Shareholder's Loan") owed by Oriental Union for an aggregate consideration of HK$50,372,000, satisfied by the issue of 87,451,458 new ordinary shares of the Company which had a fair value of HK$53,345,000 on the completion date. Oriental Union is an investment holding company holding an 80% equity interest in a joint venture, Guangzhou Guangming, which owns and operates a shopping mall located in the central area of Guangzhou, Guangdong Province, the PRC.

In addition, pursuant to the acquisition agreement, the Company took up the obligations and title of an option granted to Noble Enterprises Limited ("Noble", a previous shareholder of Oriental Union) (the "Repurchase Option") by BHL, under which, subject to Noble having procured the repayment and settlement of the bank loans owed by Oriental Union and Guangzhou Guangming (collectively, the " Oriental Union Group") from time to time and the release of the Company from its liabilities under the security documents of the Oriental Union Group, Noble may repurchase from the Company 69.9% of Oriental Union's issued share capital and the Oriental Union Shareholder's Loan at an exercise price of HK$154,800,000 before 17 January 2014. If Noble did not exercise the Repurchase Option, the Company would be entitled to an additional interest-free loan of HK$43,120,000 owed by Oriental Union to Noble.

On 31 December 2013, the Company had a debt restructuring arrangement with Noble, pursuant to which Noble released Oriental Union from all the obligations under the loan of HK$43,120,000 advanced by it to Oriental Union in previous years. Accordingly, the Group recognised a gain on debt restructuring of HK$43,120,000 in "Other income and gains, net" in profit or loss.

(b) The Group has elected to measure the non-controlling interests in the subsidiaries acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired.

(c) In the opinion of the directors, the gains on bargain purchases of subsidiaries were resulted from the appreciation of the fair values of the underlying investment properties held by these subsidiaries between the date when the consideration was determined and the date of completion of the relevant transactions.

(d) The aggregate fair values (and their respective gross contractual amounts) of the trade receivables and deposits and other receivables as at their respective dates of acquisition amounted to HK$18,015,000 and HK$13,818,000, respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be recovered.

(e) Had the above business combinations taken place at the beginning of the year, the Group's revenue and profit for the year from continuing operations would have been HK$143,938,000 and HK$1,030,465,000, respectively, assuming there were no material differences in the fair values of the identifiable assets and liabilities of the subsidiaries acquired on 1 January 2013 and their respective actual acquisition dates.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 38. DEREGISTRATION AND DISPOSAL OF SUBSIDIARIES

| | Notes | **2013 HK$'000 (note (a))** | 2012 HK$'000 (note (b)) |
|---|---|---|---|
| Net assets derecognised or disposed of: | | | |
| Property, plant and equipment | 15 | **48** | 1,400 |
| Deferred tax assets | 33 | **–** | 40,307 |
| Inventories | | **–** | 52 |
| Properties held for sale | | **–** | 115,151 |
| Trade receivables | | **–** | 13,632 |
| Prepayments, deposits and other receivables | | **6** | 239,005 |
| Due from related companies | | **–** | 160,064 |
| Cash and bank balances | | **304,776** | 330,233 |
| Trade payables | | **–** | (80,290) |
| Other payables and accruals | | **–** | (89,464) |
| Income tax payables | | **–** | (227,978) |
| Bank and other borrowings | | **–** | (5,726) |
| Deferred tax liabilities | 33 | **–** | (18,683) |
| | | **304,830** | 477,703 |
| Non-controlling interests | | **–** | (201,372) |
| Exchange fluctuation reserve realised | | **2,859** | (9,653) |
| Transaction costs in connection with the disposal of interests in subsidiaries | | **–** | 285 |
| Gain on deregistration and disposal of subsidiaries | 6 | **5,187** | 35,272 |
| Gain on disposal of a discontinued operation | 12 | **–** | 12,901 |
| | | **312,876** | 315,136 |
| Satisfied by cash | | **312,876** | 315,136 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 38. DEREGISTRATION AND DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the cash flows in respect of the deregistration and disposal of subsidiaries is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Cash consideration | 312,876 | 315,136 |
| Consideration satisfied by offsetting current accounts (note 39(i)) | – | (222,428) |
| Cash consideration received in advance in prior period (note (b)(i)) | – | (9,268) |
| Cash and bank balances disposed of | (304,776) | (330,233) |
| Transaction costs associated with the disposal of interests in subsidiaries | – | (285) |
| Net inflow/(outflow) of cash and cash equivalents in respect of the deregistration and disposal of subsidiaries | 8,100 | (247,078) |

Notes:

(a) During the year ended 31 December 2013, Shenyang Rich Day, a wholly-owned subsidiary of the Group established in the PRC, was deregistered.

(b) During the year ended 31 December 2012, the Group had the following transactions for the disposal of subsidiaries:

(i) Pursuant to a sale and purchase agreement dated 8 December 2011, the Company disposed of its entire interest in Zenna (together with its subsidiaries referred to as the "Zenna Group") to an independent third party at a cash consideration of RMB251,710,000 (equivalent to HK$310,136,000). The consideration of RMB7,000,000 (equivalent to HK$9,268,000) was received by the Group during the year ended 31 December 2011 and was included in other payables and accruals as at 31 December 2011. Zenna Group is principally engaged in the development of residential properties in Mainland China. The transaction was completed on 16 March 2012.

(ii) As detailed in note 12 to the financial statements, the Company disposed of its entire equity interest in New Radiant to an independent third party on 31 May 2012 at a cash consideration of HK$5,000,000.

## 39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**Major non-cash transactions**

Apart from the transaction detailed in note 34(b) to the financial statements, the Group had the following major non-cash transactions of investing activities during the years ended 31 December 2013 and 2012:

(a) Year ended 31 December 2013

During the year, part of the consideration for the acquisition of subsidiaries was settled by way of the issue and allotment of 123,432,747 new ordinary shares of the Company. Further details of the business combinations are set out in note 37 to the financial statements. Other than that, there is no material non-cash transaction of investing activities.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

**Major non-cash transactions (Continued)**

(b) Year ended 31 December 2012

(i) Pursuant to a deed of setoff entered into between the Company, BYZCC, Jingtai Tongcheng and the purchaser of Zenna, part of the cash consideration of RMB180,000,000 (equivalent to HK$222,428,000) receivable from the purchaser in respect of the disposal of Zenna Group was offset against the current accounts between the parties; and

(ii) Settlement of certain unsecured loans from a third party of the Company and a shareholder of the Company, and the refund of a deposit for the acquisition of land use rights of HK$47,745,000 and HK$103,449,000, respectively, were received by a joint venture, BIPL, on behalf of the Group.

## 40. CONTINGENT LIABILITIES

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Guarantees given to banks in connection with facilities granted to: | | | | |
| Subsidiaries | **–** | – | **1,223,700** | – |
| A joint venture | **216,000** | – | **216,000** | – |
| | **216,000** | – | **1,439,700** | – |

As at 31 December 2013, the banking facilities granted to certain subsidiaries and a joint venture subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$1,077,080,000 and HK$186,922,000, respectively (2012: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 41. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

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

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

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Within one year | **94,618** | 2,583 |
| In the second to fifth years, inclusive | **83,427** | 5,018 |
| After five years | **252** | 131 |
| | **178,297** | 7,732 |

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years (2012: one to three years).

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

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Within one year | **643** | 1,713 |
| In the second to fifth years, inclusive | **2,520** | 2,930 |
| | **3,163** | 4,643 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 42. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments as at the end of the reporting period:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Authorised, but not provided for: | | |
| Construction of warehouses | **72,167** | – |
| Contracted, but not provided for: | | |
| Acquisition of a joint venture | **–** | 47,156 |
| Acquisition of subsidiaries | **484,260** | – |
| Acquisition of an office building | **97,068** | – |
| Capital contribution to a joint venture | **1,460,004** | 960,625 |
| Construction of warehouses | **14,178** | – |
| | **2,055,510** | 1,007,781 |
| Total capital commitments | **2,127,677** | 1,007,781 |

In addition, at 31 December 2013, the Group's share of a joint venture's own capital commitment, which is contracted but not provided for and is not included in the above, amounted to HK$28,429,000 (2012: Nil)

At 31 December 2013, the Company did not have any significant capital commitments (2012: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 43. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

| | Notes | Group 2013 HK$'000 | Group 2012 HK$'000 |
|---|---|---|---|
| Rental income received from an associate of the ultimate holding company[#] | (i) | **3,391** | 2,371 |
| Interest income, net of business tax, received or receivable from a joint venture | (ii) | **19,851** | 20,094 |
| Rental expense paid or payable to[#]: | | | |
| – a substantial shareholder of the Company[a] | | **–** | 1,771 |
| – a fellow subsidiary[a] | (iii) | **1,818** | – |
| Interest expense paid or payable to: | (iv) | | |
| – a fellow subsidiary[a] | | **1,934** | – |
| – an intermediate holding company[a] | | **277** | – |
| – companies controlled by a substantial shareholder[a] | | **–** | 6,517 |
| – non-controlling equity holders of a subsidairy | | **–** | 410 |

[#] These transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

[a] During the year, pursuant to the Group Reorganisation as detailed in note 1 to the financial statements, the Company become a subsidiary of Beijing Enterprises Group. Accordingly, a certain substantial shareholder of the Company during the year ended 31 December 2012 become a fellow subsidiary during the year and certain companies controlled by a substantial shareholder during the year ended 31 December 2012 became an intermediate holding company and a fellow subsidiary during the year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 43. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

(i) The rental income related to the lease of a warehouse, a platform office and an office by the Group to an associate of the ultimate holding company of the Company (2012: an associate of a substantial shareholder) for its business activities. The rental income was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into. Further details of this transaction are set out in the Company's announcement dated 31 December 2012.

(ii) The interest income was charged on bank entrusted loans advanced to a joint venture at mutually-agreed rates.

(iii) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary (2012: a substantial shareholder of the Company). The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into. Further details of this transaction are set out in the Company's announcement dated 17 April 2012.

(iv) The interest expenses were charged based on the interest rates mutually agreed by the relevant parties.

Save as disclosed above and the balances detailed in notes 19, 20, 26 and 31 to the financial statements, the Group and the Company had no material transactions and outstanding balances with related parties during the years ended 31 December 2013 and 2012.

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Short term employee benefits | **10,754** | 6,404 |
| Equity-settled share option expense | **23,305** | 13,461 |
| Pension scheme contributions | **506** | 314 |
| Total compensation paid to key management personnel | **34,564** | 20,179 |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 44. FINANCIAL INSTRUMENTS BY CATEGORY

Except for an equity investment held by the Group as at 31 December 2013 being classified as an available-for-sale equity investment as further detailed in note 22 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012 were loans and receivables and financial liabilities stated at amortised cost, respectively.

## 45. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liberties was assessed to be insignificant.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Non-current financial asset: | | | | |
| Prepayments, deposits and other receivables | **25,614** | – | **24,749** | – |
| Non-current financial liabilities: | | | | |
| Loan from a non-controlling shareholder | **30,395** | – | **29,369** | – |
| Bank and other borrowings | **904,669** | 34,712 | **904,669** | 34,712 |
| | **935,064** | 34,712 | **934,038** | 34,712 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, balances with related parties and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables and other payables.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### (a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2013, the Group's interest-bearing borrowings amounting to HK$1,065,145,000 bore interest at floating rates (2012: Nil). Nevertheless, in the opinion of the directors, the Group has no significant interest rate risk for the year ended 31 December 2013 as all of these interest-bearing borrowings bearing floating interest rates were obtained through the acquisitions of Phoenix HK and Oriental Union of which the transactions were only completed on 1 November 2013 and 31 December 2013, respectively, and the impact to the Group during the year is not significant.

### (b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Due to the fact that the presentation currency of these financial statements is Hong Kong dollar but the functional currency of the Company, the PRC subsidiaries, joint ventures and associates is RMB, the net assets of the Group's investments in these entities are exposed to foreign currency translational risk.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Credit risk

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that securities deposits equivalent to three months rental are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by diversity in customer base and geographic locations of warehouse portfolio.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

The credit risk of the Group's other financial assets, which comprise amounts due from joint ventures and related parties, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

### (d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Liquidity risk (Continued)

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

| | No fixed term/ on demand HK$'000 | Within 1 year HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 3 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **At 31 December 2013** | | | | | |
| Trade payables | – | 659 | – | – | 659 |
| Other payables and accruals | – | 41,427 | – | – | 41,427 |
| Due to a joint venture | 48,291 | – | – | – | 48,291 |
| Due to related parties | 316,761 | 5,760 | – | – | 322,521 |
| Bank loans | 154,894 | 8,682 | 12,833 | 980,932 | 1,157,341 |
| Other loans | 2,572 | 47,245 | – | – | 49,817 |
| Convertible bonds | 1,950 | – | – | – | 1,950 |
| Loan from a non-controlling shareholder | – | – | 30,395 | – | 30,395 |
| Guarantee given to a bank in connection with facilities granted to a joint venture | 186,922 | – | – | – | 186,922 |
| | 711,390 | 103,773 | 43,228 | 980,932 | 1,839,323 |
| **At 31 December 2012** | | | | | |
| Trade payables | – | 228 | – | – | 228 |
| Other payables | – | 2,147 | – | – | 2,147 |
| Due to a joint venture | – | 3,198 | – | – | 3,198 |
| Due to related parties | 138,907 | – | – | – | 138,907 |
| Other loans | 37,794 | 24,872 | 49,978 | – | 112,644 |
| Convertible bonds | 1,437,555 | – | – | – | 1,437,555 |
| Provision for litigations | 207,090 | – | – | – | 207,090 |
| | 1,821,346 | 30,445 | 49,978 | – | 1,901,769 |

Financial liabilities of the Company included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year. The contractual undiscounted payments of these financial liabilities approximate to their carrying amounts. In addition, as at 31 December 2013, the banking facilities granted to certain subsidiaries and a joint venture subject to guarantees given to certain banks by the Company were utilised to the extent of approximately HK$1,077,080,000 and HK$186,922,000, respectively (2012: Nil) (note 40). These amounts were repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank and other borrowings, the liability component of the convertible bonds and a loan from a non-controlling shareholder. The gearing ratio as at the end of the reporting period was as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Total borrowings | **1,144,618** | 1,504,561 |
| Total assets | **5,448,227** | 3,092,269 |
| Gearing ratio | **21%** | 49% |

# NOTES TO FINANCIAL STATEMENTS

31 December 2013

## 47. EVENTS AFTER THE REPORTING PERIOD

**(a) Proposed acquisition of 75% equity interest in Holiday Inn BJ**

Pursuant to a conditional sale and purchase agreement dated 28 October 2013, the Group proposed to acquire 75% of the registered capital of Holiday Inn BJ from a third party for a cash consideration of RMB415,620,300 (equivalent to HK$532,285,000) and as at 31 December 2013, the Group had paid tendering deposit of RMB120,000,000 (equivalent to HK$153,691,000) to the vendor (note 23) in respect of the acquisition, the transaction was approved by shareholders of the Company at the special general meeting held on 12 February 2014 ("SGM"). As at the date of approval of these financial statements, the transaction has not been completed and is subject to fulfilment of certain conditions precedent. Further details of the acquisition are set out in the Company's announcement and circular to shareholders dated 28 October 2013 and 23 January 2014, respectively.

**(b) Issue of convertible bonds**

On 12 February 2014, the Company issued convertible bonds in an aggregate principal amount of RMB490,510,000 (equivalent to approximately HK$620,540,500) to a subscriber pursuant to a subscription agreement entered into on 24 January 2014. Since the transaction was completed shortly before the date of approval of these financial statements, the Group is not yet in a position to disclose any financial impact of the transaction on the Group.

**(c) Acquisition from a fellow subsidiary of debts owed by a subsidiary and a joint venture**

Pursuant to a debt transfer agreement dated 24 January 2014 (as supplemented on 14 February 2014) entered into between the Company, Oriental Union (a subsidiary of the Company), Guangzhou Guangming (a joint venture of the Group), and BHL (a fellow subsidiary of the Company), the Company (as the transferee) agreed to acquire all of the rights and title to and interests in certain receivables owed by Oriental Union and Guangzhou Guangming to BHL in an aggregate amount of HK$292,854,000 from BHL (as transferor) for an aggregate consideration of HK$292,854,000, satisfied by issuing and allotting 433,199,610 new ordinary shares of the Company to BHL. The transaction would constitute a connected transaction under the Listing Rules and is subject to approval by independent shareholders at a SGM to be held on 1 April 2014. Further details of the acquisition are set out in the Company's announcements dated 24 January 2014 and 14 February 2014, respectively, and the circular to shareholders dated 6 March 2014.

## 48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

# PARTICULARS OF PROPERTIES

31 December 2013

## INVESTMENT PROPERTIES

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| **Completed investment properties** | | | |
| Level 1 on No. 89 and Level 1 and 2 on No. 59, 60, 90, 119, 120, 159, 160, 199, 200, 239 and 240 Shen Ya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC | Warehouse | Medium term lease | 100% |
| Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC | Warehouse | Medium term lease | 70% |
| No. Jia 1 Dong Si Huan Nan Road, Chaoyang District, Beijing City, the PRC | Warehouse | Medium term lease | 82.24% |
| **Investment properties under construction** | | | |
| Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC | Warehouse | Medium term lease | 70% |
| Section No.2012-3, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC | Logistics | Medium term lease | 100% |

# FIVE YEAR FINANCIAL SUMMARY

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

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 | 2011 HK$'000 | 2010 HK$'000 | 2009 HK$'000 |
| **CONTINUING OPERATIONS** | | | | | |
| Revenue | **35,848** | 11,007 | 1,540,538 | – | – |
| Profit/(loss) before tax from continuing operations | **776,031** | (113,395) | 510,259 | (116,966) | (18,277) |
| Income tax | **(53,228)** | (632) | (250,785) | – | – |
| **PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | **722,803** | (114,027) | 259,474 | (116,966) | (18,277) |
| **DISCONTINUED OPERATION** | | | | | |
| Profit/(loss) for the year from discontinued operation | **–** | 5,674 | (1,384) | (37,416) | (4,191) |
| Profit/(loss) for the year | **722,803** | (108,353) | 258,090 | (154,382) | (22,468) |
| Attributable to: | | | | | |
| Shareholders of the Company | **700,962** | (97,769) | 114,594 | (152,753) | (22,468) |
| Non-controlling interests | **21,841** | (10,584) | 143,496 | (1,629) | – |
| | **722,803** | (108,353) | 258,090 | (154,382) | (22,468) |

## ASSETS, LIABILITIES AND TOTAL EQUITY

| | **2013 HK$'000** | 2012 HK$'000 | 2011 HK$'000 | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|---|---|
| **Total assets** | **5,448,227** | 3,092,269 | 4,212,155 | 4,134,256 | 641,314 |
| **Total liabilities** | **(1,950,795)** | (1,950,857) | (2,786,838) | (3,199,754) | (62,373) |
| **NET ASSETS** | **3,497,432** | 1,141,412 | 1,425,317 | 934,502 | 578,941 |
| Attributable to: | | | | | |
| Shareholders of the Company | **3,430,199** | 1,156,867 | 1,226,589 | 882,869 | 578,941 |
| Non-controlling interests | **67,233** | ( 15,455) | 198,728 | 51,633 | – |
| **TOTAL EQUITY** | **3,497,432** | 1,141,412 | 1,425,317 | 934,502 | 578,941 |