Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733

2013 ANNUAL REPORT

HOPEFLUENT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung *(Chairman)*
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Independent Non-Executive Directors

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF THE NOMINATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen
Mr. FU Wai Chung
Mr. LO Yat Fung

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

9–10/F, One Bravo
1 Jinsui Road
Zhujiang New Town
Tianhe District
Guangzhou
PRC

PLACE OF BUSINESS IN HONG KONG

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
4/F & 5/F, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Room 358, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

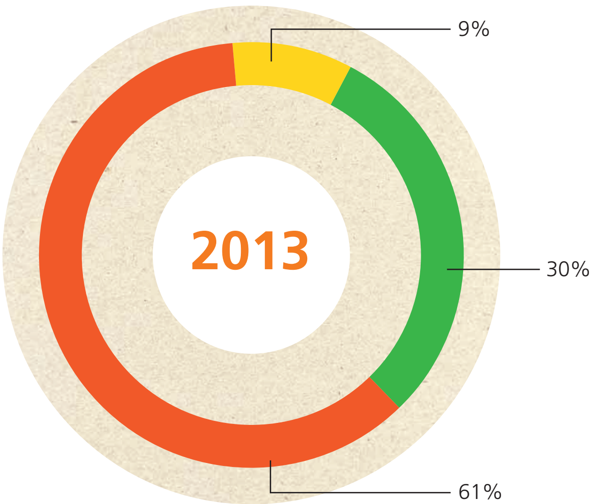
733

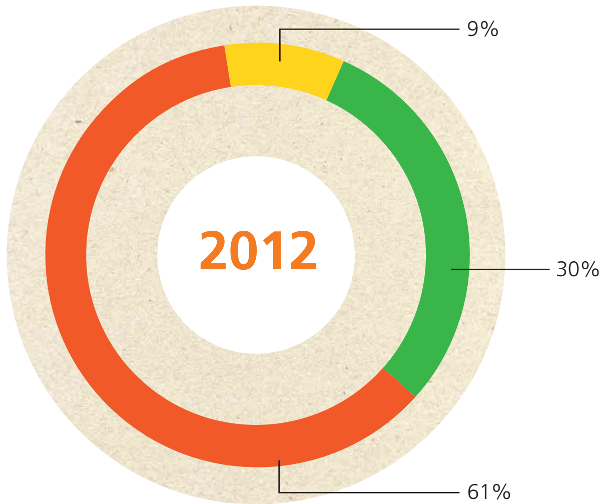
WEBSITE

www.hopefluent.com

Financial Highlights

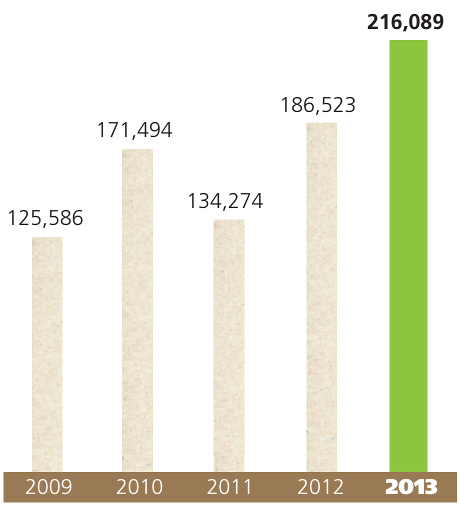
Turnover by Business *For the year ended 31st December*



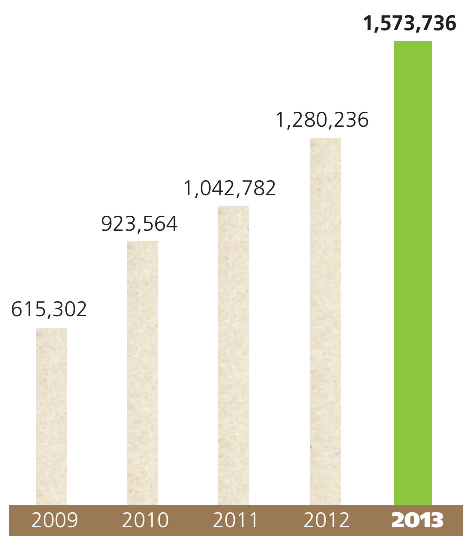


- Commission income for primary property transactions
- Commission income for secondary property transactions
- Property management and others

Profit Attributable to Shareholders *(HK$'000)*



Shareholders's Funds *(HK$'000)*



HOPEFLUENT

The group has more than **25** offices serving more than **150** cities. Currently, the Group has become the close partner of renowned developers such as Sun Hung Kai Properties, Vanke, Evergrande, Poly, China Resources Property, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Gemdale and New World China Land.

YEAR in REVIEW

In 2014, the property agency services will continue to be the core business of the Group. Given the prevalence of internet technology, the Group plans to integrate a mobile network service with its traditional service in 2014 so as to improve the operational mode of the industry and create room for sustainable development, thus ultimately providing more comprehensive services to customers.

Chairman's Statement

Fu Wai Chung, *Chairman*

Chinese macroeconomic performance was satisfactory during 2013. The country has sustained the growth momentum during the past few years which has served as a solid foundation for a healthy development in the property market. While property purchase and mortgage restrictions are still in effect within certain regions and cities, the Central Government has given clear signals that it expects to establish a long-term mechanism for the property market and this had added vitality to the market. Strong market demand for properties coupled with the spending momentum resulting from urbanisation and migration of rural population to urban areas, had driven more active transactions in the property market. Hopefluent had captured the opportunities and achieved a strong performance in both primary and secondary property real estate agency service businesses. For the year ended 31st December, 2013, the Group recorded a turnover of HK$2,350 million, a surge of 31.9% when compared to HK$1,781 million in 2012. Profit attributable to shareholders has climbed 15.9% from HK$186.5 million in 2012 to HK$216.1 million.

The Group's primary property real estate agency service business remained strong during the year, enabling it to maintain its market leadership position in China. It has handled approximately 157,000 transactions with a total transaction value exceeding HK$189 billion. The Group was agent for more than 700 projects which leveraged its business network covering more than 150 cities in China as it further increased its market share. Projects launched during the year included The Riviera in Guangzhou co-developed by Sun Hung Kai Properties, R&F Properties and KWG Property, The Central Park-view by New World China Land, The Bayview by Kingold Group, Vanke Opalus, Poly Zephyr City, The Legend by CITIC, Greenland Financial Center, Hefei Evergrande Royal Scenic Bay, Foshan Vanke Crystal City, Times Mall, Dongguan Poly Red Coral, Shenzhen CR Land's Park Lane Harbour, Hunan Evergrande Oasis, Evergrande City in Guiyang, Shandong Lushang The Lake and Gardens and Tianjin CRCC International City. These projects had recorded remarkable sales results and had strongly influenced the market. The overall solid performance had demonstrated the Group's ability in sales planning and execution, as well as its competitiveness in the market.

As for the secondary property real estate agency service business, the Group has fully utilised its extensive customer base to promote the sales of primary and secondary properties concurrently. It had also combined the sales and rental businesses in shops, offices and residential properties. This business direction had increased commission income from this segment and generated a turnover of approximately HK$695 million, 32% higher than the HK$527 million in 2012.

In addition, the Group's property management service segment also achieved high quality of services offered as well as development in its scale of business. Currently, it manages an area of more than 20 million square meters and basically achieved a business turnaround during the year under review. According to the "China Property Management Industry Development Report" published by China Property Management Institution in October 2013, Asia Asset Property (China) was ranked No. 36 in China's TOP 200 enterprises in terms of integrated competencies and ranked No. 15 in China's TOP 100 enterprises in terms of management scale.

To increase income and upgrade value-added services, the Group had launched a micro financing business at the end of the year. Through utilising customer resources, which can mitigate risk during the property purchase and sales process, and launching mid-to-short term micro loans in a timely manner, the Group had been able to facilitate transactions and increase its income. Such moves had helped the Group achieve diversification in business development and bring more customer resources to the Group.

In the past year, we have still encountered significant challenges despite the Group's overall satisfactory business performance. On the one hand, the Central Government was gradually adopting a market-driven management approach while continuing a range of austerity measures on the property market, especially property purchase and mortgage restrictions in first-tier cities. On the other hand, operating costs such as staff remuneration had been continuously rising. The management has addressed these dual market and internal challenges through proactive formulation of a series of solutions.

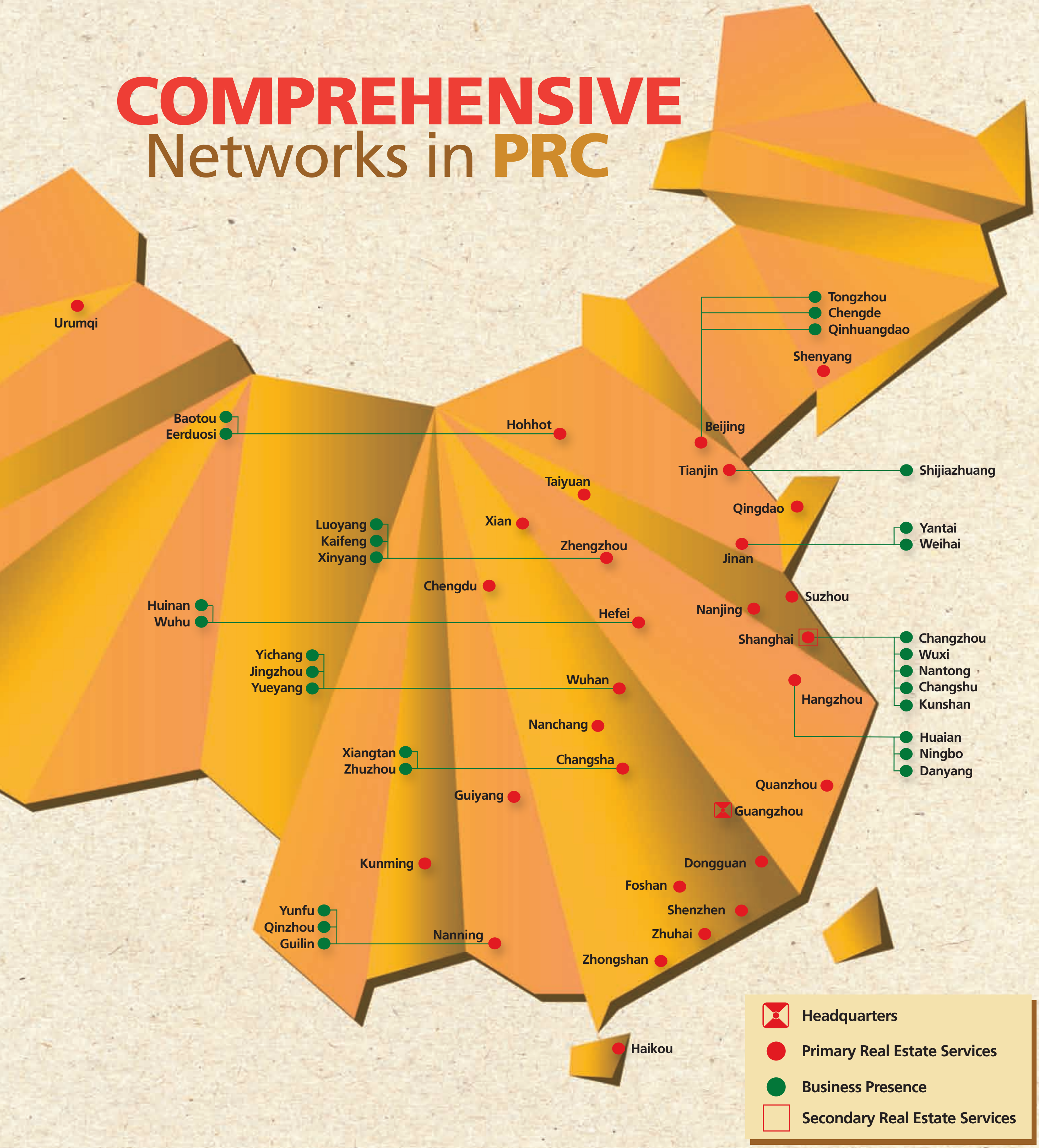
With the Chinese economy growing at a fast pace along with accelerating urbanisation and nearly a hundred million rural population moving towards the cities, we believe the property market in China will continue to enjoy strong demand for many years to come. The Group is closely monitoring the changing market conditions, exploring and carefully evaluating available opportunities and pursuing continuous innovation in a view to realize a rapid yet stable development.

Last but not least, on behalf of the Board, I would like to thank all of our shareholders, business partners and customers for their support, as well as their recognition of and confidence in the Group's future development strategy. I would also like to express my gratitude to our staff for their dedicated efforts and contributions over the past year. We will continue to strive our utmost to achieve better results, as well as to generate better returns for our shareholders.

By Order of the Board
Chairman
Fu Wai Chung

Hong Kong, 27th March, 2014

COMPREHENSIVE Networks in PRC



Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 64, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has nearly 20 years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 58, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has nearly 20 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 53, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has nearly 20 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 49, is a certified public accountant in Hong Kong and has over 20 years of experience in accounting and financial management. Mr. Lo has obtained a professional diploma in accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of the Taxation Institute of Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 48, is the chief financial officer of a jewellery company in Hong Kong. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 20 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 63, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 65, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Hong Kong Institute of Housing. She is a licensed real estate agent and is currently the Chairlady of the Practice and Complaints Committee of the Hong Kong Real Estate Agents Ltd.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2013.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 50, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

Biographical Details of Directors & Senior Management

SENIOR MANAGEMENT

Ms. Li Jie Nu, aged 60, is the manager of the administration department and is responsible for the administration and human resources of the Group. She has 20 years of experience in management and business administration. Ms. Li holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院).

Mr. Liang Guo Hong, aged 48, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Mr. Xu Jing Hong, aged 42, is the deputy general manager and is responsible for formulation of development strategies and overall business management for primary property agency business of the Group. He holds a diploma in business administration from the South China Normal University, the PRC (華南師範大學).

Mr. Xie Yu Han, aged 49, is the deputy general manager and is responsible for market research and analysis and project planning consultancy service business. He holds a professional diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Ms. Wu Shan Hong, aged 45, is the deputy general manager and is responsible for the market development and management of the value-added services of the primary property agency business of the Group. She holds a bachelor's degree of arts from the Shenzhen University, the PRC (深圳大學) and a master's degree in business administration from the University of Western Sydney, Australia.

Mr. Li Wei, aged 42, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business of the Group. He holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Zheng Song Jie, aged 36, is the general business manager of the South China region and is responsible for sales and promotion strategies for primary property projects in South China region. He holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Mr. Liu Lian, aged 42, is the general manager of the Anhui Hopefluent Real Properties Consultancy Limited and is responsible for the market development and the strategy planning for the primary property agency business in the eastern part of China. He holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Mr. Zheng Wen Wei, aged 43, is the business manager and is responsible for the market development and strategy planning for the primary property agency business of the central and western part of China. He holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

Mr. Yu Zhao Yi, aged 45, is the deputy general business manager of the Guangzhou district and is responsible for sales and promotion strategies for primary property projects in Guangzhou and the Pearl River Delta region. He holds a bachelor's degree in civil engineering from the Harbin Vessel Engineering College (哈爾濱船舶工程學院).

Ms. Hu Yun, aged 41, is the manager of the architectural design advisory department and is responsible for the research on the architectural aspects of the property projects. She holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

SENIOR MANAGEMENT (Continued)

Mr. Long Bin, aged 46, is the chief marketing research analyst and is responsible for the analysis of market information. He holds a bachelor's degree in philosophy from the Jilin University of China (中國吉林大學) and a doctor's degree from the Renmin University of China (中國人民大學).

Ms. Hu Yue, aged 45, is the general manager of Bola Realty Guarantee (Guangzhou) Limited and is responsible for the management of the primary and secondary property mortgage and loans business. She holds a master's degree in economic law from the Renmin University of China (中國人民大學).

Mr. Su Qi Gang, aged 40, is the general manager of the information technology department and is responsible for research and development of products of internet application systems. He has 19 years of experience in information technology and internet. Mr. Su holds a bachelor's degree in computational science from the Sun Yat-sen University (中山大學).

Mr. Lu Jiang Bin, aged 52, is the general manager of the property management business and is responsible for the overall management of the property management services. He holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Lu Jun, aged 44, is the general manager of the property management of the Guangzhou district and is responsible for property management business in Guangzhou region. He has over 15 years of experience in property management. Mr. Lu holds a master's degree in political economics from the Guangdong Academy of Social Sciences (廣東省社會科學院).

Mr. Huang Jian Bang, aged 59, is the general manager of the property management business in Shanghai and is responsible for the property management business in Shanghai. He holds a professional diploma from the English Department of Shanghai Foreign Institute (上海外國語學院).

Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2013, the total transaction volume in the property market has remained active under the relatively relaxed credit policy in China. The Government delivered the message of market regulation again in March and stressed that there would be no change in the original austerity measures. The Central Government also clearly stated the objective of "making the market a decisive factor in resource deployment" at the Third Plenary Session of the Communist Party of China Central Committee, which has reflected the greater emphasis placed on adjusting effect of the market by the new Government. This also implied that the development direction of the property market would be towards building a long term and healthy market mechanism. The market anticipated that the direct intervention and over-regulation by the Government on the property market would also be gradually reduced.

The property market in 2013 was healthier and steadier along with the more stable market environment. In general, the Mainland property market was prosperous, both transaction volume and property value increased in the market and the price of properties in core cities continued to rise. However, due to the property purchase restrictions and the change in population age demographics, demand for properties for self-use has become the definite primary driver in the market. Development of and investment in properties maintained its rapid growth and land prices continued to rise. Developers have been aggressively acquiring land throughout the year.

The Group has adhered to the stable yet active operating strategy and carefully evaluated the austerity measures so as to precisely capture the rising trends in the market. It has also been able to actively expand into new regions and new business areas through practical development strategies, which enabled it to record satisfactory results. For the year ended 31st December, 2013, the Group's turnover increased by 31.9% from HK$1,781 million in 2012 to HK$2,350 million. Profit attributable to shareholders also rose by 15.9% from HK$186.5 million in 2012 to HK$216.1 million. Basic earnings per share were HK44.5 cents (2012: HK40.1 cents). The Board recommended the payment of a final dividend of HK4 cents per share for the year ended 31st December, 2013 (2012: HK9 cents). Together with an interim dividend of HK2.5 cents per share already paid, the total dividend for the year is HK6.5 cents (2012: HK12.5 cents).

During the year under review, the Group's primary and secondary property real estate agency service businesses brought in a turnover of HK$1,435 million and HK$695 million respectively, accounting for 61% and 30% of the Group's total turnover. The remaining 9% or HK$220 million was derived from the property management business. Geographically, Guangzhou contributed 48% of the Group's total turnover and 52% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

合富辉煌房地产 Hopefluent Real Properties

With the overall transaction volume in Chinese property market becoming more active, the Group handled approximately 157,000 primary property transactions involving a total gross floor area of about 16 million square meters with a total transaction value of about HK$189 billion during the year. It maintained its leadership position in the primary property real estate agency market during the year through its outstanding results in transaction value and number of transactions. The Group was agent for more than 700 projects and about 660 of them contributed turnover to the Group for the year amounting to approximately HK$1,435 million, a 31% rise when compared with that in 2012.

Hopefluent has been actively expanding its business coverage in order to capture the potential opportunities in various cities. Apart from further developing cities in core regions, the Group has also actively and stably pushed on strategic deployment in other cities. It has already penetrated more than 150 second, third and fourth-tier cities, including Foshan, Dongguan, Hefei, Jinan, Zhengzhou, Zhongshan, Zhuhai, Shaoguan, Huainan, Xiangtan, Xinyang, Nanchang and Danyang and its market share is gradually increasing. Benefitting from the momentum in Chinese property market, the development of the primary property real estate agency market in Guangzhou and areas outside Guangzhou was satisfactory. Turnover from Guangzhou and areas elsewhere contributed approximately 36% and 64% of the turnover of the Group's primary property real estate agency business respectively.

BUSINESS REVIEW (Continued)

Primary Property Real Estate Agency and Consultancy Services 合富辉煌房地产 Hopefluent Real Properties (Continued)

The Group's professional services, integration capability and operating strategy continued to gain the trust and recognition from large developers. In 2013, thanks to the close collaboration with major developers, a number of new projects again recorded excellent performance. Noteworthy here are The Riviera in Guangzhou co-developed by Sun Hung Kai Properties, R&F Properties and KWG Property, The Central Park-view by New World China Land, The Bayview by Kingold Group, Vanke Opalus, Poly Zephyr City, The Legend by CITIC, Greenland Financial Center, Hefei Evergrande Royal Scenic Bay, Foshan Vanke Crystal City, Times Mall, Dongguan Poly Red Coral, Shenzhen CR Land's Park Lane Harbour, Hunan Evergrande Oasis, Evergrande City in Guiyang, Shandong Lushang The Lake and Gardens and Tianjin CRCC International City. Meanwhile, the Group has continued to offer comprehensive initial project consultancy services to property developers spanning the project development process, from professional advice on location and market positioning to marketing strategies and sales.

Secondary Property Real Estate Agency, Mortgage Referral and Related Services 合富置业 保来理财 BOLA FINANCING

In recent years, the Group's strategy had been corresponding with the Central Government's regulations on the property market as it had adjusted its operating strategy to develop the secondary property real estate agency business. It has focused on expanding new project business, and sales and lease of commercial properties such as offices and shops. These services had recorded a satisfactory performance during the year. This plus the flexible use of customer resources in various business segments had increased the commission income as well as further expanded the Group's income stream and market share.

Turnover from the secondary property real estate agency service business increased 32% from HK$527 million in 2012 to approximately HK$695 million. Transactions from Guangzhou contributed around 72% of this segment's total turnover while 28% came from outside of Guangzhou. The Group handled approximately 41,000 secondary property transactions during the year. Currently, the Group has around 308 secondary branches.

In addition to providing property agency services, the Group also offers other property-related value-added services to customers including mortgage referral and loan financing services, property valuation and property auction. These services not only provide an additional income stream to the Group, but also help create synergies with its current businesses and strengthen the Group's brand image.

Property Management Service 港聯物業 asiaasset

During the year under review, the Group has provided property management services for approximately 150 residential, offices and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan, involving more than 200,000 units covering a total gross floor area of more than 20 million square meters. These services have generated both a stable income and an extensive customer base for the Group, which would also support its future expansion. Apart from the outstanding business performance, the Group's property management service has also earned prestigious industry recognition. In the China Property Management Industry Development Report released by China Property Management Institute in October 2013, Asia Asset Property (China) was ranked No. 36 in China's TOP 200 enterprises in terms of integrated competencies and No. 15 in terms of management scale.

Particularly noteworthy is the Group's constant pursuit of innovation in property management services. In 2013, the Group has launched the "Property Robot" (a mobile internet platform for property management services). The platform had been rolled out in a number of projects under the Group's management and well-received by property owners. By utilizing the mobile internet, Internet of Things and cloud computing, the "Property Robot" had been used to upgrade quality of life in the community. Apart from offering highly efficient and convenient basic property management services to residents, it also provides resources for retail services across a wide range covering dining, housing, transportation, entertainment, shopping and travelling in peripheral areas. The seamless combination of online and offline resources has created mini central business units within 1 km distance in the community. The Group plans to deploy the "Property Robot" to boost product optimization, strengthen resources consolidation and enhance customer retention in a view to improve its service quality and to boost its competitive edge.

Management Discussion and Analysis

Prospects

The year 2014 will be the first year that the market plays a critical role in resources allocation within the Chinese economy which is expected to become more prosperous and see greater growth momentum. The proposal of a renewed urbanization system, undoubtedly will create an environment that presents enormous opportunities to the property market. Driven by long-term austerity mechanisms, the normalization and stabilization of differences between regional austerity policies will help to facilitate a rational and healthy development of the property sector. It is believed that the conditions of future property market will be ideal for all parties.

Hopefluent strongly believes that the property market in China should experience steady and healthy growth. Currently, the Group has become the close partner of renowned developers such as Sun Hung Kai Properties, Vanke, Evergrande, Poly, China Resources Property, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Gemdale and New World China Land. The Group is continuing its efforts to expand its customer base and services and secure more agency projects in different regions, reinforcing its leading position in China's property service market.

In addition, as the financial market in China gradually liberalizes, Hopefluent is also actively exploring new business segments. In 2013, the Group has commenced a micro financing business to cater for the needs of property buyers. It has introduced a variety of small scale financial products tailored to meet the demand of customers for micro financing. In the future, the Group will continue to enhance the development of this business while exploring other investment opportunities with the aim to improve its business performance by using available capital.

In 2014, the property agency services will continue to be the core business of the Group. The Group will formulate a business strategy aimed at proactively addressing the volatilities and changes of the market. On the other hand, considering the surging costs such as social welfare and income of employees, the Group will continuously adhere to its sound development strategy, ensuring it to maintain its business scale and prevent over-expansion.

Given the prevalence of internet technology, the Group plans to integrate a mobile network service with its traditional service in 2014 so as to improve the operational mode of the industry and create room for sustainable development, thus ultimately providing more comprehensive services to customers.

Looking ahead, the development trend of the property market in China is determined by factors such as the Mainland's overall economic development, monetary policy, credit lending policy, taxation policy and international political and economical conditions. As a property agency market leader with rich industry experience and a good reputation, Hopefluent will continue to consolidate and reinforce its complete industry chain and bring greater value and returns to its shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31st December, 2013 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2013, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK$546.1 million (31st December, 2012: HK$609.5 million) and 4.48 (31st December, 2012: 4.43) respectively. Total borrowings amounted to approximately HK$267.5 million which are secured bank borrowings and convertible notes (31st December, 2012: approximately HK$311.6 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 11.98% (31st December, 2012: 17.04%). The Group's secured bank borrowings and convertible notes are denominated in Renminbi and Hong Kong dollars respectively. The Group had no material contingent liabilities as at 31st December, 2013.

CONVERTIBLE NOTES

In August 2012, a subsidiary of the Company issued 5.39% exchangeable bonds in an aggregate principal amount of HK$218,400,000 due 2015. Details of the exchangeable bonds are set out in an announcement dated 1st August, 2012 and no exchangeable bonds have been converted into shares during the review year.

PLEDGE OF ASSETS

As at 31st December, 2013, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$74 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2013, the Group had approximately 15,000 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

As at 31st December, 2013, the total number of shares (the "Shares") of HK$0.01 each in the capital of the Company in issue was 500,952,872.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company and its subsidiaries (the "Group") are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31st December, 2013, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors. Having made specific enquiry with all directors, the directors confirmed that they all had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung *(Chairman)* Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December, 2013, nine Board meetings and one annual general meeting ("2013 AGM") were held and the attendance of each director is set out as follows:

	Number of meetings attended in the year ended 31st December, 2013	
Name of director	**Board meetings**	**2013 AGM**
Mr. FU Wai Chung	9/9	1/1
Ms. NG Wan	8/9	1/1
Ms. FU Man	8/9	1/1
Mr. LO Yat Fung	8/9	1/1
Mr. LAM King Pui	9/9	1/1
Mr. NG Keung	8/9	1/1
Mrs. WONG LAW Kwai Wah, Karen	9/9	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's long-term objectives and overall strategies, authorising the development plan and budget; determining and approving financing options; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that though there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to operation of the Company.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2014 which may be extended as each director and the Company may agree in writing. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

The Articles of Association of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company.

The individual training record of each director received for the year ended 31st December, 2013 is summarized below:

	Attending seminar(s)/ forum(s)/programme(s)/ conference(s) relevant to the business or directors' duties
Mr. FU Wai Chung	✓
Ms. NG Wan	✓
Ms. FU Man	✓
Mr. LO Yat Fung	✓
Mr. LAM King Pui	✓
Mr. NG Keung	✓
Mrs. WONG LAW Kwai Wah, Karen	✓

Mr. Fu Wai Chung, Ms. Ng Wan, Ms. Fu Man and Mr. Lo Yat Fung, being executive Directors, have attended various seminars and meetings to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen, being independent non-executive Directors, have participated in continuous professional development programs provided by, among others, the Estate Agents Authority and the Hong Kong Institute of Certified Public Accountants. All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September, 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. Three of them are women. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three existing independent non-executive directors, who have reviewed the financial statements for the year ended 31st December, 2013. Mr. Lam King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board; to monitor the quality of internal control and to consider major findings of internal investigations and management's response.

Four meetings were held for the year ended 31st December, 2013. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2013
Mr. LAM King Pui	4/4
Mr. NG Keung	3/4
Mrs. WONG LAW Kwai Wah, Karen	4/4

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) make recommendation to the Board, for the approval by shareholders, of the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external Auditor and approval of their remuneration;

(c) review the financial statements for the relevant periods; and

(d) discuss business development and cash position of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises the three existing independent non-executive directors and Mr. Lam King Pui is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Group's human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee's consideration. The remuneration of executive directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

Two meetings were held during the year ended 31st December, 2013. During the meetings, grant of share options, remuneration policies of the directors and senior management have been discussed and no change has been proposed to the remuneration policies. No director or any of his associates was involved in deciding his own remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2013
Mr. LAM King Pui	2/2
Mr. NG Keung	2/2
Mrs. WONG LAW Kwai Wah, Karen	2/2

The Company has adopted a share option scheme which became effective on 24th June, 2004, which serves as an incentive to attract, retain and motivate staff.

A new share option scheme will be adopted in the annual general meeting to be held on 6th June, 2014. Details of the new share option scheme are set out in a circular which will be dispatched together with this annual report.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 13 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22nd March, 2012 comprising Mr. Fu Wai Chung, Mr. Lo Yat Fung and the existing three independent non-executive directors. Mr. Lam King Pui is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

— to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships of the Company;

— to assess the independence of independent non-executive directors of the Company; and

— to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors, in particular the chairman and the chief executive of the Company.

In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the property real estate agency and consultancy services and/or other professional areas.

One meeting was held during the year ended 31st December, 2013. No change has been proposed to the structure, size and composition of the Board during the meeting and the Committee had also confirmed the independence of the independent non-executive directors who would be retired and offer themselves for re-election at 2013 AGM.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December, 2013
Mr. FU Wai Chung	1/1
Mr. LO Yat Fung	1/1
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Internal Control and Risk Management

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. An internal control department ("ICD") was established in 2006 which reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales, performance reports and cash flow of each branch rotationally. Programs have also been tailor-made for a monthly consolidated management accounts.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of materials assets and identification of business risks. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31st December, 2013 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system, such as control over expenditures and payroll, certain risk assessment controls and periodic review of the Group's performance by the Audit Committee and the Board.

ACCOUNTABILITY AND AUDIT (Continued)

Auditors' Remuneration

During the financial year ended 31st December, 2013, the fees paid to the Company's auditors is set out as follows:

Services rendered	Fees paid/payable (HK$'000)
Audit services	2,350
Non-audit services	130
	2,480

The non-audit services are review of documents related to the Company's annual results.

COMPANY SECRETARY

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The biographical details of Mr. Lo Hang Fong are set out under the section headed "Biographical Details of Directors & Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Lo Hang Fong has taken no less than 15 hours of relevant professional training during the financial year ended 31st December, 2013.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

— Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's business office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's place of business in Hong Kong at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

SHAREHOLDERS' RIGHTS (Continued)

— Right to convene extraordinary general meeting (Continued)

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the place of business of the Company in Hong Kong or by e-mail to info@hopefluent.com.hk for the attention of the Board or company secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

During the year ended 31st December, 2013, there had been no significant change in the Company's constitutional documents.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

An interim dividend of HK2.5 cents (2012: HK3.5 cents) per share amounting to HK$12,231,000 (2012: HK$16,378,000) in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK4 cents (2012: HK9 cents) per share (the "Proposed Final Dividend") to the shareholders on the register of members on 13th June, 2014.

The Proposed Final Dividend will be subject to shareholders' approval at the Company's forthcoming annual general meeting (the "2014 AGM"). The Proposed Final Dividend will be distributed on or about 9th July, 2014 (Wednesday) to the shareholders whose names appear on the register of members of the Company on 13th June, 2014 (Friday) ("the Record Date for Dividend").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 4th June, 2014 (Wednesday) to 6th June, 2014 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2014 AGM. In order to be eligible to attend and vote at the 2014 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3rd June, 2014 (Tuesday); and

(ii) from 12th June, 2014 (Thursday) to 13th June, 2014 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 11th June, 2014 (Wednesday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2013 were revalued by an independent firm of professional property valuers on an open market value basis. The surplus arising on the revaluation amounted to HK$30,695,000 and has been recognised in the consolidated statement of profit or loss and other comprehensive income. Details of the movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK$51,855,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the People's Republic of China.

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Group are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2013 comprised the share premium, contributed surplus reserve and accumulated losses of approximately HK$290 million.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2013.

BOARD OF DIRECTORS

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

Executive directors

Mr. Fu Wai Chung *(Chairman)*
Ms. Ng Wan
Ms. Fu Man
Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui
Mr. Ng Keung
Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Fu Wai Chung, Fu Man and Wong Law Kwai Wah, Karen retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

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

Long positions:

(i) Ordinary share of HK$0.01 each and underlying shares under equity derivatives of the Company

	Number of shares				
Name of Director	Ordinary shares interest held under personal name	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) (note 2)	Aggregate interest	Approximate percentage of the issued share capital
Mr. Fu Wai Chung ("Mr Fu")	832,334	174,184,799 (note 1)	–	175,017,133	34.94%
Ms. Ng Wan	832,334	–	–	832,334	0.17%
Ms. Fu Man	–	–	4,400,000	4,400,000	0.88%
Mr. Lo Yat Fung	–	–	3,920,000	3,920,000	0.78%
Mr. Lam King Pui	–	–	296,000	296,000	0.06%

Notes:

1. These 174,184,799 shares are registered in the name of Fu's Family Limited which is held 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man.

2. Details of share options movements are shown in the section of "Share Options".

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions: (Continued)

(ii) Ordinary shares of US$1.00 each in Fu's Family Limited, the associated corporation of the Company

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

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

SHARE OPTIONS

Particulars of the Company's share options scheme (the "Scheme") were set out in note 32 to the consolidated financial statements.

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

	Number of share options								
	As at 1st January, 2013	Granted during the year	Lapsed/ Cancelled during the year	Exercise during the year	As at 31st December, 2013	Date of grant	Exercise period	Exercise price per share HK$	Closing price of share immediate before date of grant HK$
Directors									
Mr. Fu Wai Chung	–	440,000	–	(440,000)	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Ms. Ng Wan	–	440,000	–	(440,000)	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Ms. Fu Man	–	4,400,000	–	–	4,400,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Lo Yat Fung	–	4,400,000	–	(480,000)	3,920,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Lam King Pui	–	440,000	–	(144,000)	296,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Ng Keung	–	440,000	–	(440,000)	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mrs. Wong Law Kwai Wah, Karen	–	440,000	–	(440,000)	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Others									
Employees	–	18,600,000	–	(12,194,000)	6,406,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Total	–	29,600,000	–	(14,578,000)	15,022,000				

SHARE OPTIONS (Continued)

The total number of shares of the Company issuable upon exercise of all options granted under the Scheme is 13,650,000, representing 2.69% of the issued shares of the Company as at the date of this annual report.

The closing price of the Company's shares immediately before 2nd July, 2013, the date of grant of the 2013 options, was HK$2.48.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.47. No share options was cancelled or lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives	Approximate percentage of the issued share capital of the Company
Mr. Fu	Beneficial owner/Held by controlled corporation/ Spouse interests (note 1)	175,849,467	35.10%
Fu's Family Limited	Beneficial owner (note 1)	174,184,799	34.77%
Mutual Fund Populus & Elite	Custodian corporation	43,046,320	8.59%
Hang Seng Bank Trustee International Limited	Trustee (note 2)	30,194,000	6.03%
Cheah Capital Management Limited	Held by controlled corporation (note 2)	30,194,000	6.03%
Cheah Company Limited	Held by controlled corporation (note 2)	30,194,000	6.03%
Value Partners Group Limited	Held by controlled corporation (note 2)	30,194,000	6.03%
Cheah Cheng Hye ("Mr. Cheah")	Founder of the Trust (note 2)	30,194,000	6.03%
To Hau Yin	Interest of spouse (note 2)	30,194,000	6.03%

SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions: (Continued)

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives	Approximate percentage of the issued share capital of the Company
Li Gabriel	Held by controlled corporation (note 3)	91,000,000	18.17%
Lam Lai Ming	Held by controlled corporation (note 3)	91,000,000	18.17%
Areo Holdings Limited	Held by controlled corporation (note 3)	91,000,000	18.17%
OAV Holdings, L.P.	Held by controlled corporation (note 3)	90,000,000	17.97%
Orchid Asia V GP, Limited	Held by controlled corporation (note 3)	90,000,000	17.97%
Orchid Asia V Group Management, Limited	Held by controlled corporation (note 3)	90,000,000	17.97%
Orchid Asia V Group, Limited	Held by controlled corporation (note 3)	90,000,000	17.97%
Orchid Asia V, L.P.	Registered holder (note 3)	90,000,000	17.97%

Notes:

1. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 832,334 shares held by himself and 832,334 shares held by his spouse, Ms. Ng Wan, who is also the director of the Company.

2. These shares are held by Hang Seng Bank Trustee International Limited in its capacity as the trustee of a trust and held through Value Partners Group Limited, Cheah Company Limited and Cheah Capital Management Limited. Mr. Cheah is the founder of the trust and Ms. To Hau Yin as the spouse of Mr. Cheah is deemed to be interested in these shares.

3. The underlying shares in form of exchangeable bonds are registered in the name of Orchid Asia V, L.P. which is held by OAV Holdings, L.P. and, indirectly held by Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited and Areo Holdings Limited. Mr. Li and Ms. Lam who are controllers of Areo Holdings Limited are deemed to be interested in 91,000,000 underlying shares.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2013.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2013. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceeds 25% as at 27th March, 2014.

AUDITOR

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

On behalf of the Board

Fu Wai Chung
Chairman

Hong Kong
27th March, 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 85, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th March, 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	7	**2,350,527**	1,781,635
Other income	9	**15,922**	8,508
Increase in fair value of investment properties		**30,695**	–
Selling expenses		**(1,617,752)**	(1,144,395)
Administrative expenses		**(391,102)**	(349,332)
Other expenses		**(9,194)**	(5,908)
Share of losses of an associate		**(6,721)**	(5,172)
Finance costs	10	**(46,441)**	(17,180)
Profit before tax		**325,934**	268,156
Income tax expense	11	**(107,356)**	(82,498)
Profit for the year	12	**218,578**	185,658
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		**41,311**	6,093
Surplus on revaluation of properties upon transfer to investment properties		**20,222**	–
Income tax relating to item that will not be reclassified		**(8,573)**	–
Other comprehensive income for the year, net of income tax		**52,960**	6,093
Total comprehensive income for the year		**271,538**	191,751
Profit for the year attributable to:			
Owners of the Company		**216,089**	186,523
Non-controlling interests		**2,489**	(865)
		218,578	185,658
Total comprehensive income attributable to:			
Owners of the Company		**269,034**	192,481
Non-controlling interests		**2,504**	(730)
		271,538	191,751
Earnings per share	16		
— Basic		**HK44.5 cents**	HK40.1 cents
— Diluted		**HK44.4 cents**	HK40.1 cents

Consolidated Statement of Financial Position

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	**102,215**	35,582
Property, plant and equipment	18	**228,655**	271,846
Goodwill	19	**16,280**	15,858
Interest in an associate	20	**134,774**	137,675
		481,924	460,961
CURRENT ASSETS			
Accounts receivables	21	**883,094**	696,409
Loan receivables	22	**241,422**	–
Other receivables and prepayments		**71,377**	56,484
Held for trading investments	23	**9,720**	5,584
Pledged bank deposits	24	**–**	24,784
Bank balances and cash	24	**546,080**	584,740
		1,751,693	1,368,001
CURRENT LIABILITIES			
Payables and accruals	25	**193,914**	130,460
Tax liabilities		**99,008**	85,449
Bank borrowings	26	**49,118**	93,243
Convertible notes	28	**48,964**	–
		391,004	309,152
NET CURRENT ASSETS		**1,360,689**	1,058,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,842,613**	1,519,810
CAPITAL AND RESERVES			
Share capital	27	**5,010**	4,785
Share premium and reserves		**1,568,726**	1,275,451
Equity attributable to owners of the Company		**1,573,736**	1,280,236
Non-controlling interests		**40,958**	17,967
TOTAL EQUITY		**1,614,694**	1,298,203
NON-CURRENT LIABILITIES			
Convertible notes	28	**173,824**	192,951
Deferred tax liabilities	29	**54,095**	28,656
		227,919	221,607
		1,842,613	1,519,810

The consolidated financial statements on pages 33 to 85 were approved and authorised for issue by the board of directors on 27th March, 2014 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2013

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000 (note i)	Statutory surplus reserve HK$'000 (note ii)	Translation reserve HK$'000	Share options reserve HK$'000	Property revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2012	4,593	360,631	–	5,760	57,930	104,199	7,244	–	502,425	1,042,782	28,765	1,071,547
Other comprehensive income for the year	–	–	–	–	–	5,958	–	–	–	5,958	135	6,093
Profit for the year	–	–	–	–	–	–	–	–	186,523	186,523	(865)	185,658
Total comprehensive income for the year	–	–	–	–	–	5,958	–	–	186,523	192,481	(730)	191,751
Shares issued on scrip dividend	86	16,361	–	–	–	–	–	–	–	16,447	–	16,447
Recognition of equity component of convertible notes (note 28)	–	–	38,242	–	–	–	–	–	–	38,242	–	38,242
Exercise of share options	106	27,960	–	–	–	–	(7,244)	–	–	20,822	–	20,822
Dividends recognised as distribution (note 15)	–	(41,642)	–	–	–	–	–	–	–	(41,642)	–	(41,642)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	11,104	11,104	(11,276)	(172)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,208	1,208
Transfer	–	–	–	–	4,577	–	–	–	(4,577)	–	–	–
At 31st December, 2012	4,785	363,310	38,242	5,760	62,507	110,157	–	–	695,475	1,280,236	17,967	1,298,203
Other comprehensive income for the year	–	–	–	–	–	41,296	–	11,649	–	52,945	15	52,960
Profit for the year	–	–	–	–	–	–	–	–	216,089	216,089	2,489	218,578
Total comprehensive income for the year	–	–	–	–	–	41,296	–	11,649	216,089	269,034	2,504	271,538
Shares issued on scrip dividend	79	22,154	–	–	–	–	–	–	–	22,233	–	22,233
Recognition of equity-settled share-based payments (note 32)	–	–	–	–	–	–	19,945	–	–	19,945	–	19,945
Exercise of share options	146	46,869	–	–	–	–	(9,841)	–	–	37,174	–	37,174
Dividends recognised as distribution (note 15)	–	(54,886)	–	–	–	–	–	–	–	(54,886)	–	(54,886)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	20,487	20,487
Transfer	–	–	–	–	5,690	–	–	–	(5,690)	–	–	–
At 31st December, 2013	**5,010**	**377,447**	**38,242**	**5,760**	**68,197**	**151,453**	**10,104**	**11,649**	**905,874**	**1,573,736**	**40,958**	**1,614,694**

Notes:

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2004.

(ii) Statutory surplus reserve

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can only be used, upon approval by the Board of Directors of the PRC subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax	325,934	268,156
Adjustments for:		
Depreciation of property, plant and equipment	66,424	81,643
Allowances on accounts receivables	5,490	4,145
Allowances on loan receivables	2,439	–
Finance costs	46,441	17,180
Share of losses of an associate	6,721	5,172
Increase in fair value of investment properties	(30,695)	–
Gain on fair value changes of held for trading investments	(64)	(75)
Loss (gain) on disposal and write-off of property, plant and equipment	1,265	(367)
Gain on disposal of held for trading investments	(1,096)	–
Fair value gain on disposal of investment properties	–	(366)
Interest income	(2,548)	(1,493)
Share-based payments expenses	19,945	–
Operating cash flows before movements in working capital	440,256	373,995
Increase in accounts receivables	(172,192)	(230,156)
Increase in other receivables and prepayments	(13,970)	(5,637)
Increase in held for trading investments	(2,961)	(5,043)
Increase in payables and accruals	59,986	2,638
Cash generated from operations	311,119	135,797
PRC income tax paid	(80,056)	(56,647)
NET CASH FROM OPERATING ACTIVITIES	231,063	79,150
INVESTING ACTIVITIES		
Interest received	2,548	1,493
Loans advanced	(243,861)	–
Proceeds on disposal of property, plant and equipment	2,723	5,350
Proceeds on disposal of investment properties	22,455	4,441
Purchase of property, plant and equipment	(51,855)	(57,862)
Purchase of investment properties	(5,282)	(5,047)
Withdrawal (placement) of pledged bank deposits	25,443	(24,723)
NET CASH USED IN INVESTING ACTIVITIES	(247,829)	(76,348)
FINANCING ACTIVITIES		
Proceeds on issue of convertible notes	–	218,400
Proceeds on issue of shares due to exercise of share options	37,174	20,822
New bank borrowings raised	61,004	93,014
Capital contribution from non-controlling interests	20,487	1,208
Acquisition of additional interest in a subsidiary	–	(172)
Interest paid	(16,604)	(4,387)
Dividends paid	(32,653)	(25,195)
Repayment of bank borrowings	(107,025)	(53,589)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(37,617)	250,101
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(54,383)	252,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	584,740	329,875
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	15,723	1,962
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	546,080	584,740

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 35.

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

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

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

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6c and 17 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (Continued)

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

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

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

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures to the consolidated financial statements of the Group.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1st July, 2014.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010–2012 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 Financial Instruments (Continued)

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

The directors anticipate that HKFRS 9 will be adopted by the Group for annual period beginning on 1st January, 2015 and that the adoption of HKFRS 9 in the future is unlikely to have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Except those mentioned above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisition of businesses occurred prior to 1st January, 2010 was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Investments in associates

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of business tax and other taxes.

Agency commission and conveyancing services income is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Marketing, development and planning consultancy and property management services income is recognised when the services are provided.

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as accounts receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 120 days and observable changes in national or local economic conditions that correlate with default on receivables. Objective evidence of impairment for a portfolio of loan receivables could include adverse changes in the payment status of borrowers or adverse changes in industry conditions that affect the borrowers in the Group.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible notes contain debt and equity component

Convertible notes issued by a group entity convertible to the Company's shares that contain both the debt and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset in the functional currency of the group entity who issued the notes for a fixed number of the Company's equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the debt component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the debt component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the debt component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Other financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Impairment losses on tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of accounts receivables and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2013, the carrying amounts of accounts receivables are HK$883,094,000 (net of allowance for doubtful debts of HK$19,069,000) (2012: carrying amount of HK$696,409,000, net of allowance for doubtful debts of HK$13,579,000) and loan receivables of HK$241,422,000 (net of allowances for doubtful debts of HK$2,439,000) (2012: Nil).

Estimated useful lives of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31st December, 2013, the carrying amount of property, plant and equipment of the Group amounted to HK$228,655,000 (2012: HK$271,846,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2013, the carrying amount of goodwill is HK$16,280,000 (2012: HK$15,858,000). Details of the recoverable amount calculation are disclosed in note 19.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 17 and 32 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the "Sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to land appreciation tax ("LAT") on disposal of its investment properties.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank borrowings and convertible notes disclosed in notes 26 and 28 respectively, net of cash and cash equivalents disclosed in note 24, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,707,071	1,332,879
Held for trading investments	9,720	5,584
Financial liabilities		
Amortised cost	299,668	306,786

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivables, loan receivables, other receivables, held for trading investments, pledged bank deposits, bank balances and cash, payables, bank borrowings and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency assets, including bank balances and cash, which expose the Group to foreign currency risk.

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

	Assets	
	2013	2012
	HK$'000	HK$'000
HK$	**2,748**	24,409

Sensitivity analysis

The Group is mainly exposed to the currency risk of Hong Kong dollar ("HK$").

The following table details the Group's sensitivity to a 5% (2012: 5%) increase/decrease in HK$ against RMB. 5% (2012: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$ strengthen 5% (2012: 5%) against RMB. For a 5% (2012: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit and the balance would be negative.

	HK$ Impact	
	2013	2012
	HK$'000	HK$'000
Profit or loss	**103**	915

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

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and convertible notes.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances because these balances carry interest at prevailing rates and they are of short maturity.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2012: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2012: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2013 would increase/decrease by HK$852,000 (2012: increase/decrease by HK$912,000).

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

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the investment. As at 31st December, 2013, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the equity instrument had been 5% (2012: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2013, the Group's post-tax profit for the year would increase/decrease by HK$406,000 (2012: HK$212,000) as a result of the changes in fair value of held for trading investments.

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

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31st December, 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2012: 100%) of the total accounts receivables as at 31st December, 2013. The Group also has concentration of credit risk as 8.1% (2012: 5%) and 3.5% (2012: 2.1%) of the total accounts receivables was due from the Group's five largest customers and largest customer, respectively, whom are within the property development business segment with good reputation and satisfactory repayment history.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. With respect to the microcredit business, the Group has delegated a team responsible for determination of credit limits and credit approvals. The team monitors customers' repayment ability and requests the customers to provide guarantees. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

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

In addition to financing by the Group's own capital and earnings, the Group relies on bank borrowings as an additional source of liquidity. As at 31st December, 2013, the Group has bank borrowings of approximately HK$49,118,000 (2012: HK$93,243,000). Furthermore, as at 31st December, 2013 and 2012, the Group had no unutilised bank facilities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013								
Non-derivative financial liabilities								
Payables	–	27,762	–	–	–	–	27,762	27,762
Bank borrowings — variable rate	6.90	–	11,223	39,217	–	–	50,440	49,118
Debt component of convertible notes	22.38	48,964	1,485	4,630	230,629	–	285,708	222,788
		76,726	12,708	43,847	230,629	–	363,910	299,668

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012								
Non-derivative financial liabilities								
Payables	–	20,592	–	–	–	–	20,592	20,592
Bank borrowings — variable rate	6.95	–	45,157	37,789	–	–	82,946	81,159
Bank borrowing — fixed rate	6.60	–	–	12,879	–	–	12,879	12,084
Debt component of convertible notes	22.38	–	5,902	5,934	11,772	295,595	319,203	192,951
		20,592	51,059	56,602	11,772	295,595	435,620	306,786

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding held for trading investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair values of held for trading investments are determined with reference to quoted market bid prices.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair values.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at 2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as held for trading investments	9,720	Level 1	Quoted bid prices in an active market

There is no transfer between level 1 and 2 during the year.

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outside customers for the sales of properties in the PRC net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2013 HK$'000	2012 HK$'000
Agency commission	2,251,800	1,720,774
Service income	232,758	169,171
	2,484,558	1,889,945
Less: Business tax and other taxes	(134,031)	(108,310)
	2,350,527	1,781,635

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of secondary real estate services, mortgage referral and loan financing services to individuals or companies. Property management is the provision of building management services to property owners.

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31st December, 2013

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	1,435,450	695,340	219,737	2,350,527
Segment profit	327,977	37,126	4,442	369,545
Other income				15,922
Central administrative costs				(37,066)
Share of losses of an associate				(6,721)
Increase in fair value of investment properties				30,695
Finance costs				(46,441)
Profit before tax				325,934
Income tax expense				(107,356)
Profit for the year				218,578

8. SEGMENT INFORMATION (Continued)

For the year ended 31st December, 2012

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	1,095,340	526,695	159,600	1,781,635
Segment profit	283,315	10,474	4,922	298,711
Other income				8,508
Central administrative costs				(16,711)
Share of losses of an associate				(5,172)
Finance costs				(17,180)
Profit before tax				268,156
Income tax expense				(82,498)
Profit for the year				185,658

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of profit or loss and other comprehensive income. Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of losses of an associate, increase in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the chief operating decision maker, the measure of total assets and liabilities for each operating segment is therefore not presented.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

8. SEGMENT INFORMATION (Continued)

Other segment information

2013

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	34,841	30,604	979	66,424
Allowances on accounts receivables	–	5,490	–	5,490
Allowances on loan receivables	–	2,439	–	2,439
(Gain) loss on disposal and write-off of property, plant and equipment	(395)	1,660	–	1,265

2012

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	21,868	58,593	1,182	81,643
Allowances on accounts receivables	–	4,145	–	4,145
(Gain) loss on disposal and write-off of property, plant and equipment	(596)	189	40	(367)

Geographical information

The Group's businesses are located in Hong Kong and other parts of the PRC. Majority of the Group's primary property real estate agency, secondary property real estate agency and property management businesses are located in the PRC. The Group's revenue is all derived from customers located in the PRC.

At the end of each reporting period, substantially all of the non-current assets are located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

9. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Rental income, net of negligible outgoings	2,526	3,743
Other services income	9,688	2,464
Bank interest income	2,548	1,493
Gain on disposal and write-off of property, plant and equipment	–	367
Gain on disposal of held for trading investments	1,096	–
Fair value gain on disposal of investment properties	–	366
Gain on fair value changes of held for trading investments	64	75
	15,922	8,508

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank loans wholly repayable within five years	4,768	4,387
Effective interest on convertible notes	41,673	12,793
	46,441	17,180

11. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
PRC Enterprises Income Tax ("EIT")	91,495	78,161
Deferred tax (note 29)	15,861	4,337
	107,356	82,498

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 7.25% (2012: 2.5% to 7.25%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward for current year. No provision for Hong Kong Profits Tax had been made in prior year in the consolidated financial statements as the Group had no assessable profits in Hong Kong in prior year.

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Profit before tax	325,934	268,156
Tax at the applicable rate of 25%	81,483	67,039
Tax effect of share of losses of an associate	1,680	1,293
Tax effect of expenses not deductible for tax purpose	29,469	13,729
Tax effect of income not taxable for tax purpose	(9)	(41)
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(376)	721
Tax effect of tax loss not recognised	1,077	5,426
Effect of LAT	1,289	–
Utilisation of tax loss previously not recognised	(7,257)	(5,669)
Income tax expense for the year	107,356	82,498

Details of deferred tax are set out in note 29.

12. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration, including share-based payments expense and retirement benefits scheme contributions (note 13)	15,498	8,174
Other staff costs	1,263,131	833,314
Share-based payments expense	12,572	–
Other retirement benefits scheme contributions	88,711	68,151
Total staff costs	1,379,912	909,639
Auditor's remuneration	2,500	1,850
Depreciation of property, plant and equipment	66,424	81,643
Allowances on accounts receivables (included in other expenses)	5,490	4,145
Allowances on loan receivables (included in other expenses)	2,439	–
Loss on disposal and write-off of property, plant and equipment (included in other expenses)	1,265	–

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive were as follows:

For the year ended 31st December, 2013

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	–	–	–	–	66	132	198	396
Salaries and other benefits	2,045	1,601	2,373	1,650	–	–	–	7,669
Share-based payments expense	295	295	2,949	2,949	295	295	295	7,373
Retirement benefits scheme contributions	15	15	15	15	–	–	–	60
Total emoluments	2,355	1,911	5,337	4,614	361	427	493	15,498

For the year ended 31st December, 2012

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	–	–	–	–	66	132	198	396
Salaries and other benefits	2,033	1,873	2,276	1,540	–	–	–	7,722
Retirement benefits scheme contributions	14	14	14	14	–	–	–	56
Total emoluments	2,047	1,887	2,290	1,554	66	132	198	8,174

Mr. Fu Wai Chung is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The Group also provided rent-free accommodation to Mr. Fu Wai Chung for the years ended 31st December, 2013 and 2012. The estimated monetary value of the properties involved, which are owned by the Group, amounted to HK$840,000 (2012: HK$840,000).

For both 2013 and 2012, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2013 and 2012.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors of the Company, whose emoluments are included in note 13 above. The emoluments of the remaining individual was as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	840	840
Share-based payments expense	1,487	–
Retirement benefits scheme contributions	15	14
	2,342	854

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For the year ended 31st December, 2013

14. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the remaining individual fell within the following bands:

	Number of individual 2013	2012
Emolument bands		
HK$0 – HK$1,000,000	–	1
HK$2,000,001 – HK$2,500,000	1	–
	1	1

15. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2013 Interim — HK2.5 cents per share (2012: 2012 Interim — HK3.5 cents per share)	12,231	16,378
2012 Final — HK9 cents per share (2012: 2011 Final — HK5.5 cents per share)	42,655	25,264
	54,886	41,642

During the year, alternatives were offered in respect of the 2012 final dividends. These alternatives were accepted by the majority of shareholders, as follows:

	Final dividends HK$'000
Dividends:	
Cash	20,422
Share alternative	22,233
	42,655

The final dividend of HK4 cents per share in respect of the year ended 31st December, 2013 (2012: final dividend of HK9 cents per share in respect of the year ended 31st December, 2012) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2013 HK$'000	2012 HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	216,089	186,523

Number of shares

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	485,059	464,905
Effect of dilutive potential ordinary shares — Share options	1,384	139
Weighted average number of ordinary shares for the purpose of diluted earnings per share	486,443	465,044

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share for the year ended 31st December, 2013 and 2012.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2012	34,439
Additions	5,047
Disposals	(4,075)
Exchange adjustments	171
At 31st December, 2012	35,582
Additions	5,282
Transfer from property, plant and equipment	50,999
Net increase in fair value recognised in profit or loss	30,695
Disposals	(22,455)
Exchange adjustments	2,112
At 31st December, 2013	102,215
Unrealised gain on property revaluation included in profit or loss for the year ended 31st December, 2013 (included in increase in fair value of investment properties)	28,564

The investment properties of the Group are held under medium term land use rights in the PRC.

17. INVESTMENT PROPERTIES (Continued)

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

The fair values of the Group's investment properties at 31st December, 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. BMI Appraisals Limited is a member of the Institute of Valuers. The fair value was determined based on the direct comparison approach, where assuming sales in their existing states with the benefit of vacant possession and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in prior year.

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

One of the key inputs used in valuing the investment properties was the market price per square meter using direct market comparables and taking into account of the differences between the investment properties and the comparables in terms of age, time, location, floor level and other relevant factors, ranging from RMB9,025 to RMB68,000. An increase in the market price per square meter will result in increase in fair value of the investment properties, and vice versa.

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

	Level 3 HK$'000	Fair value as at 2013 HK$'000
Commercial property units located in PRC	102,215	102,215

There were no transfers into or out of Level 3 during the year.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furnitures and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2012	99,078	313,095	138,048	53,471	603,692
Exchange adjustments	482	1,658	686	255	3,081
Additions	–	48,358	7,006	2,498	57,862
Disposals	(2,630)	(9,304)	(4,154)	(1,833)	(17,921)
At 31st December, 2012	96,930	353,807	141,586	54,391	646,714
Exchange adjustments	1,495	9,686	3,636	1,431	16,248
Additions	–	24,447	18,091	9,317	51,855
Transfer to investment properties	(40,689)	–	–	–	(40,689)
Disposals	–	(2,470)	(27,557)	(4,014)	(34,041)
At 31st December, 2013	**57,736**	**385,470**	**135,756**	**61,125**	**640,087**
DEPRECIATION					
At 1st January, 2012	19,992	178,038	76,344	30,109	304,483
Exchange adjustments	104	1,026	398	152	1,680
Provided for the year	2,197	61,573	11,500	6,373	81,643
Disposals	(59)	(9,304)	(2,083)	(1,492)	(12,938)
At 31st December, 2012	22,234	231,333	86,159	35,142	374,868
Exchange adjustments	344	6,716	2,114	931	10,105
Provided for the year	1,283	46,740	11,487	6,914	66,424
Transfer to investment properties	(9,912)	–	–	–	(9,912)
Disposals	–	(2,470)	(24,850)	(2,733)	(30,053)
At 31st December, 2013	**13,949**	**282,319**	**74,910**	**40,254**	**411,432**
CARRYING VALUES					
At 31st December, 2013	**43,787**	**103,151**	**60,846**	**20,871**	**228,655**
At 31st December, 2012	74,696	122,474	55,427	19,249	271,846

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

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	Over the term of the leases or 5 years, whichever is shorter
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

19. GOODWILL

	HK$'000
COST	
At 1st January, 2012	15,781
Exchange adjustments	77
At 31st December, 2012	15,858
Exchange adjustments	422
At 31st December, 2013	**16,280**

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual cash generating units (CGUs) from which goodwill arose. The carrying amount of goodwill as at 31st December, 2013 allocated to these units are as follows:

	2013 HK$'000	2012 HK$'000
Provision of property management services in the PRC ("Unit A")	**3,091**	3,010
Provision of real estate agency services in the PRC ("Unit B")	**13,189**	12,848
	16,280	15,858

During the year ended 31st December, 2013, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 13.38% and 16.37% (2012: 12.97% and 16.06%) for Unit A and Unit B, respectively. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 5% (2012: a decelerating growth rate of 10% to 5%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted building management fees and commission income of Unit A and Unit B respectively and respective profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

20. INTEREST IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in an associate	137,230	137,230
Share of post-acquisition losses and other comprehensive expenses	(13,191)	(6,470)
Exchange adjustments	10,735	6,915
	134,774	137,675

As at 31st December, 2013 and 2012, the Group had interests in the following associated companies:

Name of Entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of nominal value of registered capital held by the Group Directly	Indirectly	Principal activity
Guangzhou Bao Lai Recycle Technology Company Ltd.	Establishment	The PRC	The PRC	Registered	26%	–	Investment holding
Guangzhou Hong Sheng Estate Company Ltd.	Establishment	The PRC	The PRC	Registered	–	13.3% (note)	Property development

Note: As at 31st December, 2013, Guangzhou Bao Lai Recycle Technology Company Ltd. held 51% of Guangzhou Hong Sheng Estate Company Ltd. This represents the effective interest held by the Company.

Summarised financial information of material associate

Summarised financial information in respect of each of the Group's material associated companies is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	2013 HK$'000	2012 HK$'000
Non-current assets	2,324,295	2,049,640
Current assets	105,554	160,158
Current liabilities	(1,618,989)	(1,179,488)
Non-current liabilities	(317,305)	(502,677)
Non-controlling interests	24,808	1,886

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20. INTEREST IN AN ASSOCIATE (Continued)

	2013 HK$'000	2012 HK$'000
Loss for the year	**(48,772)**	(37,977)
Other comprehensive income for the year	**14,694**	3,161
Total comprehensive expense for the year	**(34,078)**	(34,816)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets attributable to the owners of associate	**518,363**	529,519
Proportion of the Group's ownership interest in attributable to the owners of associate	**26%**	26%
Carrying amount of the Group's interest in attributable to the owners of associate	**134,774**	137,675

21. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000
Accounts receivables		
0–30 days	**278,652**	349,123
31–60 days	**234,017**	198,484
61–90 days	**194,541**	92,800
91–120 days	**84,268**	41,397
121–180 days	**91,616**	14,605
	883,094	696,409

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK$91,616,000 (2012: HK$14,605,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

21. ACCOUNTS RECEIVABLES (Continued)

Ageing of accounts receivables which are past due but not impaired

	2013 HK$'000	2012 HK$'000
121–150 days	49,494	9,906
151–180 days	42,122	4,699
	91,616	14,605

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000
At 1st January	13,579	9,434
Allowances recognised on receivables	5,490	4,145
At 31st December	19,069	13,579

22. LOAN RECEIVABLES

At 31st December, 2013, loan receivables of HK$241,422,000 (2012: Nil) are unsecured, bear interests at 10% per annum and repayable between August to October 2014. During the year, HK$5,583,000 of interest income was recognised from the loan receivables.

The loan receivables are guaranteed by independent property owners or entities. The details of the assessment of the creditability of the individuals or entities are set out in note 6b.

23. HELD FOR TRADING INVESTMENTS

	2013 HK$'000	2012 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	9,720	528
— Equity securities listed in PRC	–	5,056
	9,720	5,584

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.01% to 0.13% (2012: 0.01% to 3.80%) and have original maturity of three months or less.

The Group's significant bank balances and cash that are not denominated in the functional currencies of the respective entities are as follows:

	2013 HK$'000	2012 HK$'000
HK$	2,748	24,409

As at 31st December, 2012, deposits amounting to HK$24,784,000 had been pledged to secure short-term bank borrowings and were therefore classified as current assets.

25. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise deposits received, receipts in advance, accrued salary and other sundry creditors.

26. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Secured bank loans	49,118	93,243

The above bank borrowings are all repayable within one year.

As at 31st December, 2013, bank borrowings of the Group are secured by certain of the Group's investment properties and leasehold land and buildings. As at 31st December, 2012, bank borrowings of the Group were secured by certain of the Group's bank deposits, investment properties and leasehold land and buildings. Details of pledge of assets are set out in note 30.

The Group's bank borrowings carry interest at variable rates which are mainly subject to interest at People's Bank of China plus a spread, ranging from 10% to 20%. The ranges of effective interest rates on the Group's borrowings are as follows:

	Year ended 2013	Year ended 2012
Effective interest rate:		
Fixed-rate bank borrowings	–	6.60%
Variable-rate bank borrowings	6.90%	5.60% to 7.87%

As at 31st December, 2013 and 2012, the Group's borrowings are all denominated in RMB.

27. SHARE CAPITAL

	Number of shares	Nominal amounts HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2012	459,338,400	4,593
Exercise of share options (note a)	10,569,600	106
Shares issued for scrip dividend (note b)	8,610,865	86
At 31st December, 2012	478,518,865	4,785
Exercise of share options (note a)	14,578,000	146
Shares issued for scrip dividend (note b)	7,856,007	79
At 31st December, 2013	**500,952,872**	**5,010**

27. SHARE CAPITAL (Continued)

Notes:

(a) During the year ended 31st December, 2013, a total of 14,578,000 (2012: 10,569,600) share options of the Company had been exercised at the aggregate consideration of HK$37,174,000 (2012: HK$20,822,000). Details of the movement in share options were set out in note 32.

(b) During the year ended 31st December, 2013, 7,856,007 shares (2012: 8,610,865 shares) of HK$0.01 each in the Company were issued at HK$2.83 per share (2012: HK$1.91 per share) to the shareholders of the Company who elected to receive scrip shares in lieu of cash, for the final dividend for the year ended 31st December, 2012 pursuant to the scrip dividend scheme announced by the Company on 14th June, 2013.

28. CONVERTIBLE NOTES

On 29th August, 2012, a subsidiary of the Company, having Hong Kong dollar as its functional currency, issued Hong Kong dollar denominated convertible notes with an aggregate principal amount of HK$218,400,000 due in 2015 bearing interest at the rate of 2.695% per 6-month period payable in arrear. Each note entitles the holder to convert to one ordinary share of the Company at a conversion price of HK$2.40 per share (subject to anti-dilutive adjustments).

Conversion of principal amount of HK$48,000,000 may occur at any time between 30th August, 2013 and 28th August, 2015 and the conversion of the remaining HK$170,400,000 may occur at any time between 1st January, 2013 and 28th August, 2015. From the date which is the next day after the expiry of a 6-month period after the date of the issue of the convertible notes (i.e. 1st March, 2013), if the market price is higher than the reference price, the noteholders shall, during the period of 6 months after the market price of a share of the Company first exceeds the reference price, exercise their convertible notes such that an aggregate of HK$48,000,000 in the principal amount of the convertible notes shall have been exchanged for the shares. If the notes have not been converted, they will be redeemed on 28th August, 2015 at its principal amount with a premium of 30% of the principal amount and accrued interest and unpaid interest thereon.

The convertible notes contain two components, including debt and conversion option (details of the terms are set out in the announcement dated 1st August, 2012). The conversion option component, which will be settled by the exchange of a fixed amount of cash in Hong Kong dollar for a fixed number of the Company's shares, is presented in equity heading "convertible notes equity reserve". The effective interest rate of the debt component is 22.38% per annum.

	HK$'000
Proceeds of issue	218,400
Debt component at date of issue	(180,158)
Equity component	38,242

Movement of convertible notes is as follows:

	Debt Component HK$'000
At 1st January, 2012	–
Issue of convertible notes	180,158
Interest charge calculated at an effective rate of 22.38%	12,793
At 31st December, 2012	192,951
Interest charge calculated at an effective rate of 22.38%	41,673
Interest paid	(11,836)
At 31st December, 2013	**222,788**

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28. CONVERTIBLE NOTES (Continued)

	2013 HK$'000	2012 HK$'000
Analysed for report purpose as		
Current liability	**48,964**	–
Non-current liability	**173,824**	192,951
	222,788	192,951

In November, 2013, the market price of a share of the Company was higher than the reference price. Accordingly, the noteholders have to exercise their conversion rights to convert an aggregate principal amount of convertible notes of HK$48,000,000 to exchange for the shares of the Company, during the period of six months after the market price of a share of the Company first exceeds the reference price. At the end of the reporting period, the debt component of that portion of convertible notes amounting to HK$48,964,000 is classified as a current liability accordingly.

29. DEFERRED TAX LIABILITIES

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

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Fair value of investment properties HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2012	–	–	24,189	24,189
Charge (credit) to profit or loss (note 11)	5,051	–	(714)	4,337
Exchange adjustments	13	–	117	130
At 31st December, 2012	5,064	–	23,592	28,656
Charge to other comprehensive income	–	8,573	–	8,573
Charge to profit or loss (note 11)	8,115	6,793	953	15,861
Exchange adjustments	251	215	539	1,005
At 31st December, 2013	**13,430**	**15,581**	**25,084**	**54,095**

29. DEFERRED TAX LIABILITIES (Continued)

At 31st December, 2013, the Group's PRC subsidiaries had unused tax losses of HK$77,183,000 (2012: HK$96,109,000) available for offset against future profits. An analysis of the expiry dates of the tax losses is as follows:

	2013 HK$'000	2012 HK$'000
2013	49,338	51,811
2014	2,373	2,421
2015	14,166	17,845
2016	2,740	14,008
2017	3,882	10,024
2018	4,684	–
	77,183	96,109

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of HK$40,630,000 (2012: HK$45,702,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,083,775,000 (2012: HK$803,819,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. PLEDGE OF ASSETS

The Group had pledged the following assets for banking facilities granted to the Group:

	2013 HK$'000	2012 HK$'000
Investment properties	39,557	4,825
Leasehold land and buildings	34,402	58,954
Bank deposits	–	24,784
	73,959	88,563

31. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK$124,362,000 (2012: HK$103,694,000).

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

	2013 HK$'000	2012 HK$'000
Within one year	**87,734**	63,524
In the second to fifth year inclusive	**122,056**	65,257
Over five years	**19,601**	477
	229,391	129,258

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to eight years (2012: one to eight years).

The Group as lessor

Property rental income, net of negligible outgoings, earned during the year was HK$2,526,000 (2012: HK$3,743,000). All of the investment properties held have committed tenants for the next one to ten years (2012: one to ten years).

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

	2013 HK$'000	2012 HK$'000
Within one year	**1,793**	2,644
In the second to fifth year inclusive	**2,116**	4,221
Over five years	**570**	281
	4,479	7,146

32. SHARE OPTIONS SCHEME

The Company's share option scheme ("the Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. Under the Scheme, the board of directors of the Company (the "Board") may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 24th June, 2004.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the executive directors, the Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme. On 9th June, 2010, the Company's shareholders passed an ordinary resolution to refresh the 10% general limit under the Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million within any 12-month period must be approved in advance by the Company's shareholders.

32. SHARE OPTIONS SCHEME (Continued)

The following table disclose movements of the Company's share options held by directors and employees during the year, all the options have vesting date of 2nd July, 2013, exercisable period from 15th July, 2013 to 31st December, 2016 and exercise price of HK$2.55 per share:

Directors	Outstanding at 1st January, 2013	Granted during the year	Exercised during the year	Outstanding at 31st December, 2013
Mr. FU Wai Chung	–	440,000	(440,000)	–
Ms. NG Wan	–	440,000	(440,000)	–
Ms. FU Man	–	4,400,000	–	4,400,000
Mr. LO Yat Fung	–	4,400,000	(480,000)	3,920,000
Mr. LAM King Pui	–	440,000	(144,000)	296,000
Mr. NG Keung	–	440,000	(440,000)	–
Mrs. WONG LAW Kwai Wah, Karen	–	440,000	(440,000)	–
Directors in aggregate	–	11,000,000	(2,384,000)	8,616,000
Employees in aggregate	–	18,600,000	(12,194,000)	6,406,000
Total	–	29,600,000	(14,578,000)	15,022,000
Exercisable at the end of the year				15,022,000
Weighted average exercise price	N/A	HK$2.55	HK$2.55	HK$2.55

The following table disclose movements of the Company's share options held by directors and employees during the prior year, all the options had vesting date of 16th December, 2009, exercisable period from 16th December, 2009 to 15th December, 2012 and adjusted exercise price of HK$1.97 per share:

Directors	Outstanding at 1st January, 2012	Exercised during the year	Outstanding at 31st December, 2012
Ms. FU Man	3,120,000	(3,120,000)	–
Mr. LO Yat Fung	3,696,000	(3,696,000)	–
Mr. LAM King Pui	237,600	(237,600)	–
Mr. NG Keung	237,600	(237,600)	–
Mrs. WONG LAW Kwai Wah, Karen	237,600	(237,600)	–
Directors in aggregate	7,528,800	(7,528,800)	–
Employees in aggregate	3,040,800	(3,040,800)	–
Total	10,569,600	(10,569,600)	–
Exercisable at the end of the year			–
Weighted average exercise price	HK$1.97	HK$1.97	N/A

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$3.03 (2012: HK$2.50).

During the year ended 31st December, 2013, options were granted on 2nd July, 2013. The estimated fair values of the options granted on the date is HK$19,945,000.

32. SHARE OPTIONS SCHEME (Continued)

The fair value was calculated using the Binomial Option Pricing model. The inputs into the model were as follows:

	2013
Closing share price at the date of grant	HK$2.50
Exercise price	HK$2.55
Expected volatility	51.19%
Expected life	3.499 years
Risk-free rate	0.719%
Expected dividend yield	5.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$19,945,000 for the year ended 31st December, 2013 (2012: Nil) in relation to share options granted by the Company.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs which limited to HK$15,000 (2012: HK$13,750) per annum of each individual employee to the Scheme, where contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The contributions paid and payable to the schemes by the Group in respect of the year which were charged to profit or loss amounted to HK$88,771,000 (2012: HK$68,207,000).

34. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2013 HK$'000	2012 HK$'000
Fees, salaries and other benefits	8,905	8,958
Share-based payments expense	8,860	–
Retirement benefits scheme contributions	75	70
	17,840	9,028

The remuneration of key management including directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the reporting period are set out as below:

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a) 2013 %	2012 %	Principal activities	Place of operation
Guangdong Hope Real Properties Limited (note b)	The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou New Profits Properties Agency Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (BVI) Limited (note c)	British Virgin Islands ("BVI")	N/A	US$100	100	100	Investment holding	Hong Kong
Sino Estate Holdings Limited (note c)	BVI	N/A	US$100	100	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (China) Real Properties Consultancy Limited (note c)	The PRC	Registered	HK$75,000,000	100	100	Provision of real estate agency services	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent Properties Limited (note c)	Hong Kong	Ordinary	HK$100	100	100	Provision of real estate agency services	Hong Kong
Hopefluent Promotion Limited (note c)	Hong Kong	Ordinary	HK$100	100	100	Provision of advertising and marketing services	Hong Kong
Hopefluent (Hong Kong) Limited (note c)	Hong Kong	Ordinary	HK$100,000	100	100	Investment holding	Hong Kong
Foshan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Dongguan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hubei Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Shanghai Hope Realty Consultancy Limited (note b)	The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited (note b)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Asia Asset Property (China) Limited (note c)	Hong Kong	Ordinary	HK$5,323,000	80	80	Investment holding	Hong Kong

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Details of the Group's principal subsidiaries at the end of the reporting period are set out as below: (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a) 2013 %	2012 %	Principal activities	Place of operation
Asia Asset Property Services (Shanghai) Co., Ltd (note b)	The PRC	Registered	US$630,000	80	80	Provision of property management services	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd (note b)	The PRC	Registered	RMB5,000,000	80	80	Provision of property management services	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd (note b)	The PRC	Registered	HK$5,000,000	80	80	Provision of property management services	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB2,000,000	100	100	Provision of real estate agency services	The PRC
Bola Realty Guarantee (Guangzhou) Limited (note c)	The PRC	Registered	RMB101,000,000	97	97	Provision of mortgage referral services	The PRC
Guangdong Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB5,000,000	100	100	Provision of real estate agency services	The PRC
Henan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Jinan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB2,010,000	100	100	Provision of real estate agency services	The PRC
Anhui Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Jun Hua Auction (Guangzhou) Limited (note c)	The PRC	Registered	RMB12,000,000	80	80	Provision of property auction services	The PRC
Guangzhou Bright Profits Properties Agency Limited (note c)	The PRC	Registered	RMB2,000,000	72.5	72.5	Provision of real estate agency services	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou Wanjia Properties Agency Limited (note c)	The PRC	Registered	RMB2,000,000	92	100	Provision of real estate agency services	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Details of the Group's principal subsidiaries at the end of the reporting period are set out as below: (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a) 2013 %	2012 %	Principal activities	Place of operation
Guangzhou Chun Wui Investment Consultancy Ltd (note c)	The PRC	Registered	HK$30,000,000	100	100	Investment holding	The PRC
Firstnet Group Ltd. (note c)	BVI	Ordinary	US$1.00	100	100	Investment holding	Hong Kong
Top Trade International Investment Ltd. (note c)	Hong Kong	Ordinary	HK$1.00	100	100	Investment holding	Hong Kong
Guangzhou Hopefluent Recycle Technology Company Limited (note c)	The PRC	Registered	HK$3,000,000	100	100	Investment holding	The PRC
Guangzhou Bao Lai Microcredit Business Ltd. (note d)	The PRC	Registered	RMB200,000,000	92	–	Provision of micro-credit business	The PRC
Hope CBD Realty Consultancy Sdn Bhd	Malaysia	Ordinary	RM50,000	60	–	Provision of real estate agency services	Malaysia

Notes:

(a) The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.

(b) The companies are sino-foreign equity joint ventures with limited liability.

(c) The companies are limited liability companies.

(d) In the PRC, it does not explicitly permit foreign-invested companies to operate a microcredit business in the PRC. Accordingly, the Group has restructured a wholly-owned subsidiary, Guangzhou Wanjia Properties Agency Ltd ("Guangzhou Wanjia") which was established in the PRC. After restructuring, the Group held 92% equity interest in Guangzhou Wanjia. The remaining 8% was held by two individuals who are independent to the Group. Besides, the Group also established an entity, Guangzhou Bao Lai Microcredit Business Limited ("Guangzhou Bao Lai Microcredit"), which the Group held 30% equity interest with remaining 70% held by four individuals who are independent to the Group ("Registered Shareholders"). In order to satisfy the relevant PRC laws and regulations relating to the business, Guangzhou Wanjia, Guangzhou Bao Lai Microcredit and the Registered Shareholders have entered into a series of contractual arrangements ("Structural Contracts").

Under these Structural Contracts, the Group is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Guangzhou Bao Lai Microcredit. In summary, the Structural Contracts enable the Group to obtain, through Guangzhou Wanjia with, among other things:

- an exclusive right to acquire, directly or through one or more nominees, from each of the owners of Guangzhou Bao Lai Microcredit, at a consideration based on the contribution to the registered capital of Guangzhou Bao Lai Microcredit as permitted under the applicable laws; and
- the right to control the management and financial and operating policies of Guangzhou Bao Lai Microcredit.

As a result, Guangzhou Bao Lai Microcredit is accounted for as a subsidiary and its financial statements have also been consolidated by the Group.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Except for a subsidiary, Hopefluent Properties Limited had issued HK$218,400,000 convertible notes as disclosed in note 28 which were all held by third parties at the end of 2013 and 2012, none of the subsidiaries had issued any debt securities for both year ended.

The above table lists the subsidiaries of the Group as at 31st December, 2013 and 2012 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2013**	2012
Provision of real estate agency services	The PRC	**30**	28
Provision of property management services	The PRC	**1**	1
Provision of mortgage referral services	The PRC	**1**	1
Provision of advertising and marketing services	The PRC	**1**	1
Investment holding	Hong Kong	**3**	2
	British Virgin Islands	**1**	1
	Malaysia	**1**	–
		5	3
Inactive	Hong Kong	**2**	2
	Malaysia	**2**	–
		4	2

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

36. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Non-current Assets		
Unlisted investments in subsidiaries	111,687	108,795
Current Assets		
Other receivables	192	192
Amounts due from subsidiaries	304,378	283,016
Bank balances and cash	2,246	20,942
	306,816	304,150
Current Liabilities		
Accruals	(69)	(54)
Net Current Assets	306,747	304,096
Total Assets less Current Liabilities	418,434	412,891
Capital and Reserves		
Share capital (note 27)	5,010	4,785
Share premium and reserves	328,178	346,429
Total equity	333,188	351,214
Non-current liabilities		
Derivative financial liability	85,246	61,677
	418,434	412,891

36. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Contributed surplus reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2012	360,631	67,385	7,244	17,784	(77,414)	375,630
Loss for the year	–	–	–	–	(25,168)	(25,168)
Exchange differences arising on translation	–	–	–	532	–	532
Total comprehensive expense for the year	–	–	–	532	(25,168)	(24,636)
Shares issued on scrip dividend	16,361	–	–	–	–	16,361
Exercise of share option	27,960	–	(7,244)	–	–	20,716
Dividends recognised as distribution	(41,642)	–	–	–	–	(41,642)
At 31st December, 2012	363,310	67,385	–	18,316	(102,582)	346,429
Loss for the year	–	–	–	–	(51,782)	(51,782)
Exchange differences arising on translation	–	–	–	9,290	–	9,290
Total comprehensive expense for the year	–	–	–	9,290	(51,782)	(42,492)
Shares issued on scrip dividend	22,154	–	–	–	–	22,154
Recognition of equity-settled share-based payments	–	–	19,945	–	–	19,945
Exercise of share option	46,869	–	(9,841)	–	–	37,028
Dividends recognised as distribution	(54,886)	–	–	–	–	(54,886)
At 31st December, 2013	**377,447**	**67,385**	**10,104**	**27,606**	**(154,364)**	**328,178**

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganisation in 2004 and the nominal amount of the Company's shares issued for the acquisition.

Financial Summary

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

	For the year ended 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS					
Turnover	995,450	1,327,796	1,611,013	1,781,635	**2,350,527**
Profit before tax	168,398	254,927	185,099	268,156	**325,934**
Income tax expense	(40,028)	(78,584)	(50,304)	(82,498)	**(107,356)**
Profit for the year	128,370	176,343	134,795	185,658	**218,578**
Attributable to:					
Owners of the Company	125,586	171,494	134,274	186,523	**216,089**
Non-controlling interests	2,784	4,849	521	(865)	**2,489**
	128,370	176,343	134,795	185,658	**218,578**

	At 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	863,694	1,210,324	1,339,950	1,828,962	**2,233,617**
Total liabilities	(227,072)	(261,187)	(268,403)	(530,759)	**(618,923)**
Total equity	636,622	949,137	1,071,547	1,298,203	**1,614,694**
Attributable to:					
Owners of the Company	615,302	923,564	1,042,782	1,280,236	**1,573,736**
Non-controlling interests	21,320	25,573	28,765	17,967	**40,958**
	636,622	949,137	1,071,547	1,298,203	**1,614,694**