

First Shanghai Investments Limited

Stock Code : 227

Annual Report 2014 <



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Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. LO Yuen Yat

Executive Directors

Mr. XIN Shulin

Mr. YEUNG Wai Kin

Non-executive Director

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. YU Qihao

Mr. ZHOU Xiaohe

COMPANY SECRETARY

Mr. YEUNG Wai Kin

REGISTERED OFFICE

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71 Des Voeux Road Central

Hong Kong

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AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

SOLICITORS

Jennifer Cheung & Co.

Reed Smith Richards Butler

T. H. Koo & Associates

PRINCIPAL BANKERS

China CITIC Bank International Limited

Standard Chartered Bank (Hong Kong) Limited

REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

Stock Code on The Stock Exchange of

Hong Kong Limited: 227

Chairman's Statement

On behalf of the Board, I am pleased to present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2014. The Group's consolidated revenue and net profit attributable to shareholders of the Company for the year ended 31st December 2014 amounted to approximately HK\$502 million and HK\$211 million respectively.

BUSINESS OVERVIEW

The major financial markets were volatile in 2014 amid uncertainties over economic growth and concerns about the stimulus program of the Federal Reserve. The major central banks maintained interest rates at their unprecedented low levels. Although China delivered growth which surpassed most other major economies, expectations of slower growth in the future weighed heavily on market sentiment and contributed to significant commodity price falls. The United States, Europe and Japan recorded economic recovery at different paces. In the US, the DOW and S&P reached record high in 2014 on optimism about economic recovery and corporate earnings. The stimulus program of the Federal Reserve ended in October 2014. Though the timing of interest rate hikes remained uncertain, the Federal Reserve stated that it would keep interest rates at a low level for a considerable period of time. On the other hand, economic data of most of the European countries remained weak in 2014.

Against global uncertainties, Chinese GDP grew 7.4% in 2014. Moving away from the double-digit growth of the most recent decade, the Chinese economy has been facing notable downward pressure and has entered a stage known as the "new normal", characterized by a balanced, high quality and sustainable economic growth in an orderly and well-thought-out manner. During the year, the Chinese stock market was one of the best performing markets worldwide, tracking various supportive government policies including reduction in interest rate, increase spending in infrastructure and internationalization of Renminbi.

In Hong Kong, the market fluctuated amid concerns over global economic uncertainties and the weakening of domestic retail sales. However, the financial market was benefited with general capital inflows and the launch of the Shanghai-Hong Kong Stock Connect in November 2014, indicating a historic breakthrough to the Hong Kong financial industry.

The Group reported consolidated net profit attributable to shareholders of the Company of approximately HK\$211 million for the year ended 31st December 2014, representing a 396% growth from 2013. This encouraging result was mainly attributable to the recognition of a gain amounted to approximately HK\$210 million regarding disposal of one of our pharmaceutical investments. Another significant factor for the growth was the remarkable result reported by the Financial Services Sector due to encouraging performance of our securities brokerage and margin financing businesses. China Assets (Holdings) Limited ("China Assets"), a listed associate of the Group, also recorded increase in investment gain in 2014. However, the Chinese property market still suffered from oversupply and tightened liquidity in 2014, and the disappointed results of the Property and Hotel Sector continued to linger our overall performance. The Group's revenue was increased by 9% from approximately HK\$460 million in 2013 to approximately HK\$502 million in 2014, attributable to expansion of securities brokerage and margin financing businesses. Total net assets of the Group raised by 20% from approximately HK\$2,748 million to approximately HK\$3,285 million in 2014 due to recognition of valuation gain from indirect investment in the listed shares of Shenyin Wanguo (H.K.) Limited.

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

Chairman's Statement

Financial Services

The Hang Seng Index and Hang Seng China Enterprises Index closed at 23,605 and 11,984 respectively on 31st December 2014, represented an increment of 1.3% and 10.8% respectively from 2013. Hong Kong stock market was volatile in 2014 and the average daily market turnover grew by 11% to HK\$69.5 billion. IPO activities remained vibrant with 122 new listings in 2014 raised totally approximately HK\$228 billion which made Hong Kong ranked the second in IPO activities worldwide. In the first quarter of the year, trading volume and market activities were hindered by a slowdown in economic growth in the Mainland and withdrawal of stimulus policies by the Federal Reserve. Thereafter, with the announcement of the Shanghai-Hong Kong Stock Connect and reduction in interest rate by the Central Government, the market sentiment turned around, with Hang Seng Index hit a six-year high in the second half of the year.

In 2014, the Group has recorded satisfactory contributions from both brokerage and margin financing businesses. Operating results of the Financial Services Sector increased by 11% with boost in market turnover aligned with investors' optimism over the China economic reform and the long term benefit from the launch of Shanghai-Hong Kong Stock Connect. Gain from margin financing business rose with significant expansion in margin loan portfolio at more than 80%. However, keen competition has restrained the profit margin of the Financial Services Sector. As more and more customers choose to transact online and through mobile devices, the Group has upgraded the integrated online trading platform covering securities dealing in various securities markets including Hong Kong, Shanghai A and B shares, Shenzhen B shares, United States and global futures markets.

Our corporate finance division remained an active and healthy player in the market. In 2014, we acted as financial adviser to listed companies for several fund raising exercises, including open offers and subscription of new shares, involving total gross fund raising amount of over HK\$4 billion. We also acted as independent financial adviser for a variety of transactions, including mergers and acquisitions and continuing connected transactions of companies listed in Hong Kong. In addition, we were retained as compliance advisers to a number of companies newly listed in Hong Kong. Our corporate finance division, as an inseparable arm of our Financial Services Sector, shall continue to capitalise its expertise, network and other resources to strive for further success.

Property and Hotel

During the year, the Chinese property market underwent further downturn as a result of oversupply and tight funding channels. Selling price and transaction volume dropped in the first half of the year. This situation has slightly recovered in the second half of the year after relaxation of Home Purchasing Restriction policy and reduction of interest rate. Performance of different cities was highly differentiated. Property prices in the first tier cities have, at worst, been flat over the past year due to growth in population and economy, while the other cities were still suffering from oversupply and funding pressure. With most of our property projects located in the second and third tier cities, sales performance of the Property and Hotel Sector was unsatisfactory. Operating results for the year was hindered, despite a reduction of fair value loss recognised. To map out way of steady growth and better performance, the Group will continue to adjust its product mix with wider market location. While Huangshan project is approaching to completion, we expect performance of this Sector will be improved in 2015.

During the year, the Group has also made a provision for impairment on goodwill amounted to approximately HK\$11 million in relation to an investment with the property investment and hotel segment located in Europe after assessment of its recoverable amount which further hindered the operating result of this sector.

Chairman's Statement

In 2014, the Group's recognised GFA (gross floor area) and revenue were amounted to approximately 2,000 square meters and HK\$19 million respectively. Capital expenditure for property projects incurred for the year was approximately HK\$182 million. The Group is currently participating in seven projects with total GFA as summarised below:

Location	Product nature	Expected completion date (Year)	% of interest attributable to the Group	Total GFA (sq.m.)	Area sold in 2014 (sq.m.)	Accumulated area sold (sq.m.)
Zhangjiang, Shanghai, PRC	Office and commercial	Completed	50%	56,000	—	27,000
Kunshan, Jiangsu, PRC	Residential	Completed	70%	55,000	—	46,000
Wuxi, Jiangsu, PRC	Hotel, commercial and apartment	Completed	100%	95,000	2,000	9,000
Wuxi, Jiangsu, PRC	Office and industrial					
— Phase I		Completed	70%	38,000	—	18,000
— Phase II		Completed	70%	31,000	—	—
— Phase III		2015	70%	34,000	—	—
Huangshan, Anhui, PRC						
— Phase A	Residential and	2015	100%	12,000	—	—
— Phase B	recreation resort	2016	100%	23,000	—	—
Zhongshan, Guangdong, PRC	Residential and recreation resort	2016	99.99%	64,000	—	—
L'Isle Adam, France	Hotel and recreation resort	2016	100%	6,000	—	—
Total				414,000	2,000	100,000

Direct Investment

China Assets is still the major investment of our Direct Investment Sector. During the year, the net profit after tax of China Assets attributable to the Group was approximately HK\$14 million after recognition of the disposal gains of its partial investment in a medical centre and portion of its investment in a pharmaceutical company listed in Shanghai. However, the overall performance was slightly affected by the unsatisfactory performance of a fund investment focusing in mining, energy or related industries in China.

During the year, the Group has reported a significant gain of approximately HK\$210 million from disposal of a pharmaceutical investment consisted an Italian pharmaceutical company. The Group made the investment in 2010 and reported an annualised return on equity of approximately 60%.

PROSPECTS

Global economic environment in 2015 remains challenging, and local economy is still facing worries of reduction in domestic retail sales and valuation concerns of the overheated local property market. The expectation of interest rate hikes in the US, continued stimulus measures taken by major central banks and geopolitical problems in certain regions will from time to time cause turbulence to the global financial markets.

Chairman's Statement

The Central Government will work to unleash new growth vitality for its economy, which is under downward pressure. China will deepen reforms and explore new moves to make its economy more open and create a stable, fair, transparent and predictable business environment. The make-up of GDP growth will be altered to rely more on domestic consumption than investment, and more on domestic market competitiveness and trade than returning to a strong trade account heavily dependent upon global, particularly Western, consumption.

The launch of the Shanghai-Hong Kong Stock Connect in November 2014 allows Mainland Chinese to invest in Hong Kong securities directly, and grants offshore investors direct access to the Chinese stock market. The Shenzhen-Hong Kong Stock Connect will be the next phase in enlarging the scale of cross border financial activities. Confident with the affirmative policies implemented by the Central Government to escort a smooth economic reforms and a solid pace of Renminbi internationalization, we are optimistic with the financial market of Hong Kong in the coming years.

Amid the intense competition, we expect gradual squeezing on brokerage commission rate which will pose continuous challenges to our business. To safeguard a healthy business growth, we will continue to upgrade our online trading platform and to enlarge target client base. We will also maintain a cautious approach to the credit control of our margin financing business. Strong expertise and sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, form a solid platform for further expansion of our business. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to capture business opportunities, broaden client base and strengthen market niche by enhancing service quality and widening investment product range.

Due to widespread speculation and a lack of investment alternatives in the Chinese economy, real estate has played too great a role in China's economic development, and the correction of this problem will continue to dampen industrial growth in 2015, particularly in the secondary cities. Despite challenge of the property market will remain during the period of economic reform, we expect the Central Government will embrace relatively market-oriented approach policies, leading to a healthier industrial growth. We will make timely adjustments to our property development plan in response to market changes and to complete the property projects on hand so as to bring reasonable returns to the Group in the long term.

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

APPRECIATION

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

LO Yuen Yat
Chairman

Hong Kong, 27th March 2015

Management Discussion and Analysis

RESULTS

For the year ended 31st December 2014, the Group recorded a net profit attributable to shareholders of approximately HK\$211 million, representing an increase of 396% over 2013 which was approximately HK\$43 million. Basic earnings per share attributable to the shareholders of the Company grew from HK3.04 cents in 2013 to HK15.09 cents in 2014. Revenue of the Group is approximately HK\$502 million, represents an increase of 9% from 2013.

MATERIAL ACQUISITION AND DISPOSAL OF GROUP COMPANIES

On 31st December 2014, the Group disposed its entire interest in two subsidiaries which principally engaged in pharmaceutical services for a cash consideration of approximately US\$25 million. The Group recorded a net gain on disposal of approximately HK\$210 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our property projects and financial services business. As at 31st December 2014, the Group had raised bank loans of approximately HK\$386 million (2013: HK\$390 million) and held approximately HK\$372 million (2013: HK\$322 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 11.8% (2013: 14.2%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2014 amounted to approximately HK\$34 million (2013: HK\$83 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF GROUP ASSETS

The Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$661 million (2013: HK\$676 million) and fixed deposits of approximately HK\$15 million (2013: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$316 million (2013: HK\$390 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2014, total contingent liabilities relating to these guarantees amounted to approximately HK\$6 million (2013: HK\$1 million).

HUMAN RESOURCES

As at 31st December 2014, the Group employed 661 staff, of whom 512 are based in China. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined benefit/contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the year ended 31st December 2014 amounted to approximately HK\$244 million (2013: HK\$192 million).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Yuen Yat (69). Appointed as Managing Director of the Company in 1993. Mr. Lo joined the Company in 1993 and is currently the Chairman of the Company. He is also the chairman and executive director of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously, Mr. Lo was the senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the State Science & Technology Commission, Ministry of Communications and Railway Ministry of the PRC. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (61). Appointed as Director of the Company in 1998. Mr. Xin joined the Company in 1994 as Executive Vice President in charge of direct investment and property development business. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992.

Mr. YEUNG Wai Kin (53). Appointed as Director of the Company in 1998. Mr. Yeung is also Chief Financial Officer and Company Secretary of the Company. He joined the Company in 1993 and has over 30 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

NON-EXECUTIVE DIRECTOR

Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. (59). Appointed as Independent Non-executive Director of the Company in 1994 and has been re-designated to Non-executive Director of the Company in 2005. Mr. Kwok is a practising solicitor in Hong Kong and is qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in law. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor WOO Chia-Wei (77). Appointed as Independent Non-executive Director of the Company in 1993. Prof. Woo is currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously he was President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of Shanghai Industrial Holdings Limited.

Mr. LIU Ji (79). Appointed as Independent Non-executive Director of the Company in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He served as Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. He is also an independent non-executive director of Wison Engineering Services Company Limited. Mr. Liu is also a class II director of O2micro International Limited, a NASDAQ-listed company.

Biographical Details of Directors and Senior Management

Mr. YU Qihao (68). Appointed as Independent Non-executive Director of the Company in 2005. Mr. Yu is a certified public accountant, PRC. He graduated from Shanghai University of Finance and Economics. From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director from 1995 to 1997 and a non-executive director from 1997 to 1998 of Shenyin Wanguo (H.K.) Limited. During the period from 2001 to 2006, Mr Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (62). Appointed as Independent Non-executive Director of the Company in 2007. Mr. Zhou has extensive experience in investment and financing industries. He was educated in China and graduated from Beijing Industrial University majoring in Computer Automation. Mr. Zhou was a non-executive director of the Company from 18th May 1995 to 16th June 1998 and of China Assets (Holdings) Limited from 27th March 1995 to 28th November 1997.

SENIOR MANAGEMENT

Mr. QIU Hong (45). Joined the Group in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the management and business development of the Group's financial service business. Prior to joining the Group, Mr. Qiu had worked for an international audit and consulting company and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry, Mr. Qiu is specializing in corporate financing, stockbrokerage and investment in Hong Kong and Chinese Mainland. Mr. Qiu holds a Bachelor's Degree in Economics from the Zhong Shan University and a Master of Philosophy (Economics) degree from the Chinese University of Hong Kong.

Mr. CHING Ah Chye (65). Joined the Group in 2001 and is currently the Managing Director of First Shanghai Securities Limited and First Shanghai Futures Limited. He is also a Responsible Officer of both the above-mentioned companies under the Securities and Futures Ordinance. Mr. Ching is responsible for management of overall operation and development of dealing in securities and futures. Mr. Ching holds a Bachelor of Business Administration degree from the University of East Asia, Macau (currently known as the University of Macau). He started his career in several financial institutions and has more than 30 years experience in the securities industry.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31st December 2014, except for the deviation from code provision A.2.1 in respect of segregation of the roles of chairman and chief executive officer. Such deviation will be discussed in the relevant sections of this report in more details. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Function and composition

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

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

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

The Board of the Company comprises:

Executive Directors:

Mr. LO Yuen Yat (*Chairman*)
Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director:

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors:

Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU Xiaohe

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

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

Chairman and chief executive officer

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

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

Non-executive directors

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

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

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

Directors' continuous professional development

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

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

Corporate Governance Report

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

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

Notes:

A — attending briefing sessions and/or seminars

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

BOARD COMMITTEES

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

Nomination Committee

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

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

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

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

Remuneration Committee

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

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

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

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

Audit Committee

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

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

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

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

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

During the year, there were three meetings held. The Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee met with the Company's external auditor during each of the committee meeting held in 2014 to liaise the Group's financial reporting and material financial matters. The Audit Committee has also reviewed report of the Company's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

Corporate Governance Report

MEETINGS AND ATTENDANCE

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

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

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

Name of director	Board meeting	Nomination Committee meeting	Remuneration Committee meeting	Audit Committee meeting	AGM
No. of meetings held during 2014	4	1	2	3	1
Mr. LO Yuen Yat	4	1	2	n/a	1
Mr. XIN Shulin	3	n/a	n/a	n/a	1
Mr. YEUNG Wai Kin	4	n/a	n/a	n/a	1
Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>	4	n/a	n/a	3	1
Prof. WOO Chia-Wei	4	1	2	3	1
Mr. LIU Ji	4	n/a	n/a	3	1
Mr. YU Qihao	4	1	2	3	1
Mr. ZHOU Xiaohe	3	1	2	3	1

Mr. YEUNG Wai Kin attended all the Board/Board Committee meetings in 2014 in the capacity of Company Secretary of the Company.

COMPANY SECRETARY

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December 2014.

DISCLOSURE FOR REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the year ended 31st December 2014, the remuneration of the members of the senior management by band is set out below:

Emolument bands	Number of individuals
HK\$4,000,001–6,000,000	1
HK\$14,000,001–16,000,000	1
	2

Details of the directors' remuneration and five highest paid individuals for the year ended 31st December 2014 are set out in Note 13 to the consolidated financial statements.

AUDITOR'S REMUNERATION

For the year ended 31st December 2014, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK\$2,763,000 for audit and related services and HK\$201,000 for other non-audit services — taxation services.

COMMUNICATION WITH SHAREHOLDERS

Corporate communication policy

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

Information disclosure

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

General meetings with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and shareholders of the Company. The Company ensures that shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered. The AGM was held on 23rd May 2014. The Company's external auditor and all directors have attended the AGM to answer questions from shareholders.

Corporate Governance Report

Shareholders' right

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

Shareholder(s) holding not less than five percent of the total voting rights of all the members having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The requisition, either in hard copy form or in electronic form, must state the general nature of the business to be dealt with at the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company or email to enquiry@firstshanghai.com.hk for the attention of the Company Secretary. The requisition may include the text of a resolution that may properly be moved and is intended to be moved at the EGM. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

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

Any reasonable expenses incurred by the shareholder(s) concerned by reason of the failure of the directors duly to convene an EGM must be reimbursed by the Company.

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

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

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

Shareholders may request the Company to include a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

- (i) Any number of shareholders representing not less than 2.5 percent of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in the Company, may submit a requisition in hard copy form or electronic form to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

- (ii) The Company shall not be bound by the Hong Kong Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or two or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company or email to enquiry@firstshanghai.com.hk for the attention of the Company Secretary not less than six weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than one week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.
- (iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

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

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

Constitutional documents

On 23rd May 2014, the shareholders approved the amendment of the Articles of Association of the Company mainly to comply with the requirements of the new Companies Ordinance effective from 3rd March 2014. The latest version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

CORPORATE SOCIAL RESPONSIBILITIES

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

The Group supports all initiatives that improve the well-being of the community. Caring our environment, we strive to promote and support various environmental protection projects. Since 2013, the Group has joined WWF as corporate member and has participated in their activities including "Hoi Ha Donor Education Programme" and volunteer work "Mai Po Nature Reserve" for environment protection. Besides, caring our society, we have continuously participated in a mentor scheme organized by Hong Kong Playground Association to provide guidance services to the youth in Hong Kong. Over the previous years, we have arranged unserviceable computers and redundant parts to be delivered to Caritas-HK Computer Workshop for refurbish purpose. Caring our people, we have adopted various employee-friendly policies and have been awarded as "Family-friendly Employer" since 2014. Being awarded by The Hong Kong Council of Social Service as a Caring Company, the Group will continue to pledge our sustainability and social responsibility.

Report of the Directors

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS

The results for the year are set out in the consolidated income statement on page 26.

DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.015 (2013: HK\$Nil) per ordinary share, totaling HK\$21,010,000 (2013: HK\$Nil).

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2014, calculated pursuant to Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$387,843,000 (2013: HK\$370,953,000).

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$71,000 (2013: HK\$33,000).

PROPERTY, PLANT AND EQUIPMENT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2014.

DIRECTORS

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

- Mr. LO Yuen Yat
 - Mr. XIN Shulin
 - Mr. YEUNG Wai Kin
 - * Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*
 - ** Prof. WOO Chia-Wei
 - ** Mr. LIU Ji
 - ** Mr. YU Qihao
 - ** Mr. ZHOU Xiaohe
- * *Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. is a non-executive director of the Company.*
- ** *Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe are independent non-executive directors of the Company.*

Mr. LO Yuen Yat, Mr. XIN Shulin and Mr. LIU Ji retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

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

As at 31st December 2014, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

(a) Interests in respect of the Company:

Directors	Number of shares and underlying shares held			% of issued share capital of the Company
	Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat (Note) Long position	108,349,636	72,952,000	181,301,636	12.94%
Mr. XIN Shulin Long position	8,032,000	—	8,032,000	0.57%
Mr. YEUNG Wai Kin Long position	19,904,304	—	19,904,304	1.42%
Mr. KWOK Lam Kwong, Long position Larry, B.B.S., J.P.	1,000,000	—	1,000,000	0.07%
Prof. WOO Chia-Wei Long position	1,000,000	—	1,000,000	0.07%
Mr. LIU Ji Long position	500,000	—	500,000	0.04%
Mr. YU Qihao Long position	1,000,000	—	1,000,000	0.07%
Mr. ZHOU Xiaohe Long position	160,000	—	160,000	0.01%

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

(b) Interests in respect of an associated corporation:

Directors	Number of shares and underlying shares held			% of issued share capital of the associated corporation
	Personal interests	Total		
Mr. LO Yuen Yat China Assets Long position	975,000	975,000		1.27%
Mr. YEUNG Wai Kin China Assets Long position	850,000	850,000		1.11%

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

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2014, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Corporate interests	Other interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") (Note 1)	Long position	—	—	247,674,500	—	247,674,500	17.68%
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note 2)	Long position	67,976,000	12,432,000	57,592,000	63,640,000	201,640,000	14.40%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note 2)	Long position	12,432,000	67,976,000	57,592,000	63,640,000	201,640,000	14.40%

Notes:

- (1) *China Assets is a Hong Kong listed company, which is also an associated company of the Group.*
- (2) *57,592,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.*
- (3) *63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.*

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "2002 Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Due to the expiry of the 2002 Scheme, the shareholders of the Company approved a new share option scheme (the "2014 Scheme") on 23rd May 2014. No share options were granted under the 2014 Scheme during the year. The purpose of the 2014 Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the 2014 Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under the 2014 Scheme does not in aggregate exceed 10% of the shares in issue on the date of approval of the 2014 Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Scheme does not exceed 30% of the shares in issue from time to time.

As at 31st December 2014, options to subscribe for a total of 139,891,301 ordinary shares were still outstanding under the 2014 Scheme which represents approximately 10% of the issued ordinary shares of the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2014 Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

Report of the Directors

The consideration for the grant of options is HK\$1.00. The 2002 Scheme and 2014 Scheme participant is entitled to subscribe for shares during such period as may be determined by the directors (which shall be less than 10 years from the date of the grant of the relevant option and commences not less than six months after the date of grant) at the price to be determined by the Board but not less than the highest of the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

Details of share options remain outstanding as at 31st December 2014 are as follows:

	Options held at 1st January 2014	Options exercised during the year	Options held at 31st December 2014	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors							
Mr. LO Yuen Yat	11,944,000	—	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. XIN Shulin	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YEUNG Wai Kin	11,810,000	—	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. WOO Chia-Wei	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. LIU Ji	500,000	—	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YU Qihao	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees							
	7,250,000	(1,750,000)	5,500,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	51,568,000	(1,750,000)	49,818,000				

Notes:

- (1) During the year, 1,750,000 share options were exercised under the 2002 Scheme with an exercise price of HK\$0.68 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$1.591 per share. No share options were granted or lapsed under the 2002 Scheme and 2014 Scheme during the year ended 31st December 2014.
- (2) No share options granted under the 2002 Scheme were cancelled during the year ended 31st December 2014.
- (3) The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2014.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are both less than 30% for 2014 and 2013.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2014.

FIVE YEAR FINANCIAL SUMMARY

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

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Total assets	6,160,867	4,946,281	4,629,316	4,934,702	4,733,083
Total liabilities	2,875,916	2,198,746	2,008,376	2,220,043	1,864,028
Total net assets	3,284,951	2,747,535	2,620,940	2,714,659	2,869,055
Revenue	501,630	459,579	349,085	285,409	291,904
Profit/(loss) attributable to shareholders	211,091	42,540	(98,266)	(45,819)	108,603
Earnings/(losses) per share					
— basic	15.09 cents	3.04 cents	(7.02) cents	(3.28) cents	7.77 cents
— fully diluted	15.00 cents	3.03 cents	(7.02) cents	(3.28) cents	7.70 cents

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

By order of the Board

LO Yuen Yat
Chairman

Hong Kong, 27th March 2015

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF FIRST SHANGHAI INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 108, which comprise the consolidated and company balance sheets as at 31st December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27th March 2015

Consolidated Income Statement

For the year ended 31st December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	4	501,630	459,579
Cost of sales		(193,079)	(182,906)
Gross profit		308,551	276,673
Other gains — net	5	200,535	548
Selling, general and administrative expenses		(319,509)	(243,485)
Operating profit	6	189,577	33,736
Finance income	7	19,026	15,715
Finance costs	7	(19,697)	(16,953)
Finance costs — net	7	(671)	(1,238)
Share of results of			
Associated companies	20	13,731	4,596
Joint ventures	21	12,267	9,358
Profit before taxation		214,904	46,452
Taxation	8(a)	(9,548)	(4,594)
Profit for the year		205,356	41,858
Attributable to:			
Shareholders of the Company	9	211,091	42,540
Non-controlling interests		(5,735)	(682)
		205,356	41,858
Earnings per share for profit attributable to shareholders of the Company during the year			
— Basic	10	HK15.09 cents	HK3.04 cents
— Diluted	10	HK15.00 cents	HK3.03 cents
Dividends	11	21,010	—

The notes on pages 34 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the year	205,356	41,858
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
— Actuarial losses on retirement benefit obligations	(867)	(27)
<i>Items that may be reclassified to profit or loss</i>		
— Fair value gain on available-for-sale financial assets	312,028	16,014
— Capital reserve realised upon disposal of subsidiaries	—	(290)
— Exchange reserve realised upon disposal of subsidiaries	5,028	—
— Currency translation differences	(32,693)	37,053
— Share of post-acquisition reserves of an associated company	57,189	31,987
	341,552	84,764
Other comprehensive income for the year, net of tax	340,685	84,737
Total comprehensive income for the year	546,041	126,595
Attributable to:		
Shareholders of the Company	552,070	124,831
Non-controlling interests	(6,029)	1,764
	546,041	126,595

The notes on pages 34 to 108 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Intangible assets	15	2,126	13,757
Property, plant and equipment	16	426,096	535,253
Investment properties	17	453,603	436,768
Leasehold land and land use rights	18	52,256	54,114
Investments in associated companies	20	351,152	279,921
Investments in joint ventures	21	250,074	244,972
Deferred tax assets	37	13,120	15,184
Available-for-sale financial assets	22	513,738	142,932
Loans and advances	23	7,925	10,856
Total non-current assets		2,070,090	1,733,757
Current assets			
Properties under development	24	410,917	246,824
Properties held for sale		252,099	303,034
Inventories	25	1,039	8,405
Loans and advances	23	977,113	538,806
Trade receivables	26	238,250	242,042
Other receivables, prepayments and deposits	27	142,543	67,753
Tax recoverable	8(b)	6,838	948
Financial assets at fair value through profit or loss	29	33,732	82,750
Deposits with banks	30	7,584	3,032
Client trust bank balances	31	1,656,587	1,400,313
Cash and cash equivalents	31	364,075	318,617
Total current assets		4,090,777	3,212,524
Current liabilities			
Trade and other payables	32	2,392,289	1,693,375
Tax payable	8(b)	35,970	37,725
Borrowings	33	101,550	82,976
Total current liabilities		2,529,809	1,814,076
Net current assets		1,560,968	1,398,448
Total assets less current liabilities		3,631,058	3,132,205

Consolidated Balance Sheet

As at 31st December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current liabilities			
Deferred tax liabilities	37	61,245	69,008
Retirement benefit obligations	34	—	8,221
Borrowings	33	284,862	307,441
Total non-current liabilities		346,107	384,670
Net assets		3,284,951	2,747,535
Equity			
Share capital	35	1,145,005	279,783
Share premium and capital redemption reserve	36	—	863,542
Other reserves	36	1,145,005	1,143,325
		2,063,006	1,511,426
Capital and reserves attributable to the Company's shareholders		3,208,011	2,654,751
Non-controlling interests		76,940	92,784
Total equity		3,284,951	2,747,535

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 34 to 108 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investments in subsidiaries	19	97,698	97,698
Available-for-sale financial assets	22	513,738	141,304
Loans and advances	23	7,925	10,856
Total non-current assets		619,361	249,858
Current assets			
Other receivables, prepayments and deposits	27	76,166	643
Amounts due from subsidiaries	28(a)	1,589,325	1,523,442
Cash and cash equivalents	31	87,046	14,939
Total current assets		1,752,537	1,539,024
Current liabilities			
Accruals and other payables	32	102,784	7,910
Amounts due to subsidiaries	28(b)	230,862	82,828
Borrowings	33	10,000	—
Total current liabilities		343,646	90,738
Net current assets		1,408,891	1,448,286
Net assets		2,028,252	1,698,144
Equity			
Share capital	35	1,145,005	279,783
Share premium and capital redemption reserve	36	—	863,542
Other reserves	36	883,247	554,819
Total equity		2,028,252	1,698,144

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 34 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Net cash (outflow)/inflow from operating activities	38(a)	(86,338)	119,523
Hong Kong profits tax paid		(13,425)	(9,254)
Overseas taxation paid		(11,331)	(4,760)
Net cash (used in)/generated from operating activities		(111,094)	105,509
Cash flows from investing activities			
Interest received		18,812	15,173
Purchase of property, plant and equipment		(15,695)	(13,230)
Proceeds from disposal of property, plant and equipment		252	2,106
Additions for investment properties		(155)	—
Proceeds from disposal of investment properties		457	5,003
Proceeds from disposal of available-for-sale financial assets		343	—
Acquisition of a subsidiary		—	(149,137)
Net cash inflow in respect of the disposal of subsidiaries	38(b)	189,937	—
Acquisition of a joint venture		—	(148)
Dividends received from a joint venture		6,295	8,737
Increase in deposits with banks		(4,552)	(185)
Receipt of loans repayment from third parties		—	6,939
Net cash generated from/(used in) investing activities		195,694	(124,742)

Consolidated Statement of Cash Flows

For the year ended 31st December 2014

Note	2014 HK\$'000	2013 HK\$'000
Cash flows from financing activities		
Interest paid	(23,494)	(24,629)
Proceeds from borrowings	80,076	72,000
Repayments of borrowings	(82,976)	(40,537)
Dividend paid to non-controlling interests	(7,225)	—
Issue of new shares on exercise of share options	1,190	—
Net cash (used in)/generated from financing activities	(32,429)	6,834
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at 1st January	318,617	326,668
Exchange differences	(6,713)	4,348
Cash and cash equivalents at 31st December	364,075	318,617
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	283,454	151,920
Short-term bank deposits		
— pledged	15,000	15,000
— non-pledged	65,621	151,697
Cash and cash equivalents as above	364,075	318,617

The notes on pages 34 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2014

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2014	279,783	849,536	40,458	248,262	14,006	12,334	141,304	162,730	906,338	92,784	2,747,535
Total comprehensive income	—	—	—	57,189	—	—	312,028	(27,371)	210,224	(6,029)	546,041
Issue of new shares on exercise of share options	1,680	—	(490)	—	—	—	—	—	—	—	1,190
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(2,590)	(2,590)
Dividend paid	—	—	—	—	—	—	—	—	—	(7,225)	(7,225)
Transfer from retained earnings	—	—	—	252	—	—	—	—	(252)	—	—
Transition to no-par value regime on 3rd March 2014	863,542	(849,536)	—	—	(14,006)	—	—	—	—	—	—
	865,222	(849,536)	(490)	252	(14,006)	—	—	—	(252)	(9,815)	(8,625)
At 31st December 2014	1,145,005	—	39,968	305,703	—	12,334	453,332	135,359	1,116,310	76,940	3,284,951

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

The notes on pages 34 to 108 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, except that a leasehold land and building in Hong Kong is stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses (if any), and as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

Changes in accounting policies and disclosures

There are no Standards, amendments, revisions and interpretations to existing Standards that are effective for the first time for the financial year beginning on 1st January 2014 that could be expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3rd March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(a) *Standards and amendments to existing Standards that are not yet effective and have not been adopted by the Group*

The following Standards and amendments to existing Standards have been issued but are not effective for the financial year beginning 1st January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
• HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation;	1st January 2016
• HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants;	1st January 2016
• HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions;	1st July 2014
• HKAS 27 (Amendment)	Equity Method in Separate Financial Statements;	1st January 2016
• HKAS 28 and HKFRS 10 (Amendment)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture;	1st January 2016
• HKFRS 9	Financial Instruments;	1st January 2018
• HKFRS 11 (Amendment)	Acquisitions of Interests in Joint Operation;	1st January 2016
• HKFRS 14	Regulatory Deferral Accounts;	1st January 2016
• HKFRS 15	Revenue from Contracts with Customers;	1st January 2017
• Annual Improvement Projects	Improvements to HKASs and HKFRSs 2010–2012 and 2011–2013; and	1st July 2014
• Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012 and 2014	1st July 2016

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

Notes to the Consolidated Financial Statements

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

2.2 Subsidiaries

2.2.1 Consolidation

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

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

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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

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

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

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

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) *Business combinations (continued)*

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

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

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

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

(c) *Disposal of subsidiaries*

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

2.3 Associated companies

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

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

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

Notes to the Consolidated Financial Statements

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

2.3 Associated companies *(continued)*

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

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

2.4 Joint ventures

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***2.6 Foreign currency translation** *(continued)***(b) Transactions and balances**

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

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

(c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

(d) Disposal of foreign operation and partial disposal

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

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***2.7 Intangible assets****(a) Goodwill**

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

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

(b) Trading rights

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

2.8 Property, plant and equipment**(a) Land and buildings in Hong Kong**

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

(b) Construction-in-progress

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

(c) Other property, plant and equipment

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***2.8 Property, plant and equipment** *(continued)***(c) Other property, plant and equipment** *(continued)*

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

(d) Depreciation and amortisation

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

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

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

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

(e) Gains and losses on disposals

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

2.9 Investment properties

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

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

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

Notes to the Consolidated Financial Statements

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

2.9 Investment properties *(continued)*

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

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

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

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

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

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

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

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

If an item of completed properties held for sale becomes an investment property as a result of change in its use, any difference between the carrying amount and the fair value of this property at the date of transfer is recognised in the consolidated income statement as part of "other gains — net".

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

2.10 Leasehold land and land use rights

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

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

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

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

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

2.12 Financial assets

2.12.1 Classification

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

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

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***2.12 Financial assets** *(continued)***2.12.1 Classification** *(continued)**(b) Loans and receivables*

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

(c) Available-for-sale financial assets

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

2.12.2 Recognition and measurement

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

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

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

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

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

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

2.12 Financial assets *(continued)*

2.12.2 Recognition and measurement *(continued)*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale financial assets are not reversed through the consolidated income statement. Impairment testing of trade and other receivables is described in Note 2.15.

2.13 Properties under development and held for sale

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

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

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

2.14 Inventories

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

2.15 Trade and other receivables

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

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

2.16 Client trust bank balances

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

2.17 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

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

2.18 Share capital

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

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables also include client's deposits received as detailed in Note 2.16 above. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.20 Borrowings

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

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

2.21 Current and deferred taxation

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***2.21 Current and deferred taxation** *(continued)***(b) Deferred income tax** *(continued)**Inside basis differences (continued)*

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) Offsetting

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

2.22 Employee benefits**(a) Pension obligations**

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

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

(b) Employee leave entitlements

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

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

Notes to the Consolidated Financial Statements

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

2.22 Employee benefits *(continued)*

(c) Discretionary bonus

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

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

(d) Employee share-based compensation

The Group operates an equity-settled, employee share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, (1) including any market performance condition (for example, an entity's share price); (2) excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and (3) including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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

2.23 Provisions

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

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

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

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

2.24 Contingent liabilities

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

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

2.25 Revenue recognition

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

- (a) Revenue from brokerage and commission, management, consultancy, advisory and handling services rendered is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.
- (b) Revenue from securities trading represents the net gains/(losses) on disposal and remeasurement of financial assets at fair value through profit or loss. All transactions related to securities trading are recorded in the consolidated financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.
- (c) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (d) Revenue from sales of properties is recognised upon completion of sales agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (e) Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (f) Operating lease rental income is recognised on a straight-line basis over the lease periods.
- (g) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (h) Dividend income is recognised when the rights to receive payment is established.

Notes to the Consolidated Financial Statements

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

2.26 Finance costs

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

2.27 Operating leases

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

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

2.28 Dividend distribution

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income taxes

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

(b) Useful lives of property, plant and equipment

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

Notes to the Consolidated Financial Statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)***(c) Estimated fair value of investment properties**

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

(d) Fair value of financial instruments

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

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

(e) Allowance for doubtful debts

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

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

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

(g) Impairment of property, plant and equipment

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

Notes to the Consolidated Financial Statements

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

(h) Impairment of non-financial assets

The Group tests at least annually whether intangible assets have suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, such difference will impact the carrying value of the relevant asset and amount of impairment charge for the year in which such estimate has been changed.

4. SEGMENT INFORMATION

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

(a) Operating segments

	Securities investment 2014 HK\$'000	Corporate finance and stockbroking 2014 HK\$'000	Property development 2014 HK\$'000	Property investment and hotel 2014 HK\$'000	Direct investment 2014 HK\$'000	Group 2014 HK\$'000
Income statement						
Revenue	13,849	258,195	18,530	122,008	89,048	501,630
Segment results	13,889	102,750	(8,521)	(49,018)	164,657	223,757
Unallocated net operating expenses						(34,180)
Operating profit						189,577
Finance costs — net						(671)
Share of results of						
— Associated companies	—	—	—	—	13,731	13,731
— Joint ventures	—	—	—	11,383	884	12,267
Profit before taxation						214,904
Balance sheet						
Segment assets	44,907	3,048,657	750,511	952,422	572,066	5,368,563
Investments in associated companies	—	—	—	—	351,152	351,152
Investments in joint ventures	—	—	—	207,664	42,410	250,074
Tax recoverable						6,838
Deferred tax assets						13,120
Corporate assets						171,120
Total assets						6,160,867
Other information						
Depreciation and amortisation	11	1,283	644	40,803	7,519	50,260
Provision for impairment of goodwill	—	—	—	11,142	—	11,142

Note: There were no sales among the operating segments.

Notes to the Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

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

Note: There were no sales among the operating segments.

Notes to the Consolidated Financial Statements

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Hong Kong 2014 HK\$'000	PRC and others 2014 HK\$'000	Group 2014 HK\$'000
Revenue	273,008	228,622	501,630
Non-current assets *	428,216	1,115,016	1,543,232
	Hong Kong 2013 HK\$'000	PRC and others 2013 HK\$'000	Group 2013 HK\$'000
Revenue	233,895	225,684	459,579
Non-current assets *	360,432	1,215,209	1,575,641

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

5. OTHER GAINS — NET

	Group	
	2014 HK\$'000	2013 HK\$'000
Gain on disposal of interests in subsidiaries <i>(Note 38(b))</i>	210,918	290
Loss on disposal of investment properties	(53)	(505)
Fair value losses on investment properties	(12,982)	(18,056)
Loss on disposal and write off of available-for-sale financial assets	(846)	—
Gain on disposal of financial assets at fair value through profit or loss	—	12,048
Net foreign exchange gain	3,498	6,771
	200,535	548

Notes to the Consolidated Financial Statements

6. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2014 HK\$'000	2013 HK\$'000
Crediting		
Net gain on disposal of property, plant and equipment	—	980
Charging		
Depreciation	48,910	41,744
Amortisation of leasehold land and land use rights (Note 18)	1,749	1,781
Cost of properties sold	19,073	26,121
Cost of inventories	63,034	68,959
Stockbroking commission and related expenses	41,300	26,455
Staff costs (Note 12)	244,065	191,607
Operating lease rental in respect of land and buildings	10,656	9,153
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	2,763	2,812
— other auditors	1,116	1,171
Non-audit services — the Company's auditor	201	268
Net loss on disposal of property, plant and equipment	57	—
Provision for impairment of goodwill (Note 15)	11,142	—
Provision for obsolete stock	332	324
Provision for doubtful debts (Note 26)	175	196

7. FINANCE COSTS — NET

	Group	
	2014 HK\$'000	2013 HK\$'000
Finance income — interest income	19,026	15,715
Finance costs		
— Interest on loans and overdrafts	(26,627)	(24,811)
— Less: amounts capitalised as qualifying assets	6,930	7,858
Total finance costs	(19,697)	(16,953)
Finance costs — net	(671)	(1,238)

Finance costs were capitalised at the weighted average rate of 6.52% (2013: 6.55%) per annum for the year.

Notes to the Consolidated Financial Statements

8. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Hong Kong profits tax		
Current	15,163	10,714
(Over)/under-provision in previous years	(298)	88
Overseas taxation		
Current	1,301	1,153
Under-provision in previous years	21	233
Land appreciation tax	746	1,601
Deferred taxation (Note 37)	(7,385)	(9,195)
Taxation charge	9,548	4,594

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profit tax rate as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Profit before taxation (net of share of profits less losses of associated companies and joint ventures)	188,906	32,498
Tax calculated at a taxation rate of 16.5% (2013: 16.5%)	31,169	5,362
Effect of different taxation rates in other countries	(14,371)	(13,266)
Income not subject to taxation	(37,186)	(2,421)
Expenses not deductible for taxation purposes	7,970	2,522
(Over)/under-provision in previous years, net	(277)	321
Unrecognised deferred tax assets	21,616	11,052
Corporate withholding tax	(180)	(561)
Others	61	(16)
Land appreciation tax	8,802	2,993
	746	1,601
Taxation charge	9,548	4,594

Notes to the Consolidated Financial Statements

8. TAXATION (continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Recoverable — Overseas	6,838	948
Payable		
Hong Kong	4,745	3,303
Overseas	31,225	34,422
	35,970	37,725

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$16,890,000 (2013: HK\$38,408,000).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$211,091,000 (2013: HK\$42,540,000). The basic earnings per share is based on the weighted average number of 1,399,191,642 (2013: 1,398,913,012) shares in issue during the year.

The Company has share options outstanding for the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 8,272,115 (2013: 3,002,626) dilutive potential ordinary shares.

11. DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.015 (2013: HK\$Nil) per ordinary share, totaling HK\$21,010,000 (2013: HK\$Nil). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 22nd May 2015. These financial statements do not reflect this final dividend payable.

	2014 HK\$'000	2013 HK\$'000
	Proposed final dividend of HK\$0.015 (2013: HK\$Nil) per ordinary share	21,010

Notes to the Consolidated Financial Statements

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2014 HK\$'000	2013 HK\$'000
Wages, salaries and allowance	216,022	165,786
Retirement benefit costs (Note 14)	18,445	18,121
Other employee benefits	9,598	7,700
	244,065	191,607

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each of the directors for the year ended 31st December 2014 is set out below:

Name of director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	2014 Total HK\$'000
Executive directors:					
Mr. LO Yuen Yat	—	3,140	21,238	267	24,645
Mr. XIN Shulin	—	2,382	—	202	2,584
Mr. YEUNG Wai Kin	—	2,743	14,159	232	17,134
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	294	—	—	—	294
Independent non-executive directors:					
Prof. WOO Chia-Wei	294	—	—	—	294
Mr. LIU Ji	294	—	—	—	294
Mr. YU Qihao	294	—	—	—	294
Mr. ZHOU Xiaohe	294	—	—	—	294

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

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

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

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

No directors have waived emoluments in respect of the years ended 31st December 2014 and 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) individuals during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Basic salaries, allowances and benefits-in-kind	6,450	6,192
Discretionary bonuses	17,469	11,758
Retirement benefit costs	261	250
	24,180	18,200

Notes to the Consolidated Financial Statements

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)***(b) Five highest paid individuals** *(continued)*

The emoluments fell within the following bands:

Emolument bands HK\$	Number of individuals	
	2014	2013
2,000,001–3,000,000	—	1
4,000,001–5,000,000	1	1
5,000,001–6,000,000	1	—
10,000,001–11,000,000	—	1
15,000,001–16,000,000	1	—
	3	3

14. RETIREMENT BENEFIT COSTS — DEFINED CONTRIBUTION PLANS

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

No contribution (2013: HK\$Nil) of defined contribution retirement schemes in Hong Kong was forfeited during the year. There were no outstanding balance as at the balance sheet dates of 2014 and 2013 available to reduce the contributions payable in the future years.

Contributions totaling HK\$242,000 (2013: HK\$240,000) were payable to the retirement scheme at the year end and are included in trade and other payables.

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

Notes to the Consolidated Financial Statements

15. INTANGIBLE ASSETS

Group	Goodwill HK\$'000	Trading rights HK\$'000	Total HK\$'000
Cost			
At 1st January 2014	13,735	400	14,135
Exchange difference	(1,382)	—	(1,382)
At 31st December 2014	12,353	400	12,753
Accumulated impairment loss			
At 1st January 2014	378	—	378
Provision for impairment	11,142	—	11,142
Exchange difference	(893)	—	(893)
At 31st December 2014	10,627	—	10,627
Net book value			
At 31st December 2014	1,726	400	2,126
Group	Goodwill HK\$'000	Trading rights HK\$'000	Total HK\$'000
Cost			
At 1st January 2013	2,104	400	2,504
Acquisition of a subsidiary	10,988	—	10,988
Exchange difference	643	—	643
At 31st December 2013	13,735	400	14,135
Accumulated impairment loss			
At 1st January and 31st December 2013	378	—	378
Net book value			
At 31st December 2013	13,357	400	13,757

Impairment test for goodwill

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

The recoverable amount of the lowest level of CGU has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures and selection of discount rates. Management determines budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The discount rate applied to cash flow projection is 11%.

Notes to the Consolidated Financial Statements

15. INTANGIBLE ASSETS (continued)**Impairment test for goodwill** (continued)

During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the property investment and hotel segment, with carrying amount of HK\$11,142,000 was impaired. The impairment arose mainly as a result of the incremental capital expenditure projected after taking into account of the market and economic condition of the respective country that the business is operating in.

16. PROPERTY, PLANT AND EQUIPMENT**(a) Group**

	Land and buildings		Buildings			Construction-in-progress	Total
	Freehold outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Vehicles, trucks and machinery		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation							
At 1st January 2014	193,207	59,501	223,767	162,514	77,063	7,927	723,979
Additions	2,847	—	—	2,384	1,829	12,812	19,872
Transfer from construction-in-progress	—	—	—	—	3,225	(3,225)	—
Disposal of subsidiaries	(31,605)	—	—	(1,684)	(39,632)	(54)	(72,975)
Disposals	—	—	—	(939)	(488)	—	(1,427)
Exchange differences	(22,957)	—	(763)	(708)	(5,001)	(840)	(30,269)
At 31st December 2014	141,492	59,501	223,004	161,567	36,996	16,620	639,180
Accumulated depreciation and impairment loss							
At 1st January 2014	7,638	11,168	34,069	102,966	32,500	385	188,726
Depreciation for the year	5,943	608	7,647	27,795	6,917	—	48,910
Disposal of subsidiaries	(5,752)	—	—	(927)	(13,279)	—	(19,958)
Disposals	—	—	—	(799)	(319)	—	(1,118)
Exchange differences	(1,383)	—	(76)	(292)	(1,724)	(1)	(3,476)
At 31st December 2014	6,446	11,776	41,640	128,743	24,095	384	213,084
Net book value							
At 31st December 2014	135,046	47,725	181,364	32,824	12,901	16,236	426,096

Notes to the Consolidated Financial Statements

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

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

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

	Land and buildings		Buildings		Furniture, fixtures and equipment	Vehicles, trucks and machinery	Construction-in-progress	Total
	Freehold outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	Hong Kong 2014	Hong Kong 2014	Hong Kong 2014	HK\$'000	Hong Kong 2014	Hong Kong 2014	Hong Kong 2014	Hong Kong 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	141,492	48,376	223,004	161,567	36,996	16,620	628,055	
At professional valuation — 1994	—	11,125	—	—	—	—	11,125	
	141,492	59,501	223,004	161,567	36,996	16,620	639,180	
	Land and buildings		Buildings		Furniture, fixtures and equipment	Vehicles, trucks and machinery	Construction-in-progress	Total
	Freehold outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	Hong Kong 2013	Hong Kong 2013	Hong Kong 2013	HK\$'000	Hong Kong 2013	Hong Kong 2013	Hong Kong 2013	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	193,207	48,376	223,767	162,514	77,063	7,927	712,854	
At professional valuation — 1994	—	11,125	—	—	—	—	11,125	
	193,207	59,501	223,767	162,514	77,063	7,927	723,979	

Notes to the Consolidated Financial Statements

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

A land and building with carrying amount of HK\$47,725,000 (2013: HK\$48,333,000) is stated at professional valuation in 1994 less accumulated depreciation. If this land and building has been stated on the historical cost basis, its net book amount would be HK\$7,229,000 (2013: HK\$7,561,000).

(b) Company

	Motor vehicles	
	2014 HK\$'000	2013 HK\$'000
Cost		
At 1st January and 31st December	457	457
Accumulated depreciation		
At 1st January and 31st December	457	457
Net book value		
At 31st December	—	—

17. INVESTMENT PROPERTIES

	Group	
	2014 HK\$'000	2013 HK\$'000
Valuation at 1st January	436,768	419,495
Addition	155	—
Transfer from properties held for sale	31,522	29,694
Disposals	(510)	(5,508)
Fair value losses	(12,982)	(18,056)
Exchange differences	(1,350)	11,143
Valuation at 31st December	453,603	436,768

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

	2014 HK\$'000	2013 HK\$'000
In Hong Kong, held on — leases over 50 years	17,900	17,300
Outside Hong Kong, held on — leases between 10 to 50 years	435,703	419,468
	453,603	436,768

Notes to the Consolidated Financial Statements

17. INVESTMENT PROPERTIES (continued)

	2014 HK\$'000	2013 HK\$'000
Rental income recognised in consolidated income statement for investment properties	15,260	13,347
Operating expenses recognised in consolidated income statement for rental income	1,623	1,554

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

Fair value measurements using significant unobservable inputs (Level 3)

	2014 HK\$'000	2013 HK\$'000
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other gains — net"	(12,982)	(18,056)
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(12,982)	(18,056)

Valuation processes

The Group's investment properties were revalued at 31st December 2014 and 2013 by independent, professionally qualified valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

At each financial year end, the finance department:

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

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

Valuation techniques

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

Notes to the Consolidated Financial Statements

17. INVESTMENT PROPERTIES (continued)**Valuation techniques** (continued)

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

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

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31st December 2014 and 2013

Valuation technique(s)	Unobservable inputs	Relationship	Range
(a) PRC properties in the first tier cities			
Direct comparison approach	Sales price	Higher fair value with higher sales price	HK\$21,000–HK\$51,000 (2013: HK\$21,000–HK\$47,000) per square meter
Income capitalisation approach	Monthly market rent	Higher fair value with higher monthly market rent	HK\$96–HK\$146 (2013: HK\$97–HK\$149) per square meter
	Capitalisation rate	Lower fair value with higher capitalisation rate	3%–6% (2013: 3%–5%)
(b) PRC properties in other cities			
Direct comparison approach	Sales price	Higher fair value with higher sales price	HK\$8,000–HK\$15,000 (2013: HK\$8,000–HK\$15,000) per square meter
Income capitalisation approach	Monthly market rent	Higher fair value with higher monthly market rent	HK\$25–HK\$80 (2013: HK\$25–HK\$85) per square meter
	Capitalisation rate	Lower fair value with higher capitalisation rate	3%–9% (2013: 3%–9%)
(c) HK properties			
Direct comparison approach	Sales price	Higher fair value with higher sales price	HK\$156,000–HK\$167,000 (2013: HK\$145,000–HK\$161,000) per square meter

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

Notes to the Consolidated Financial Statements

18. LEASEHOLD LAND AND LAND USE RIGHTS

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

	2014 HK\$'000	2013 HK\$'000
Net book value at 1st January	54,114	54,934
Amortisation for the year (Note 6)	(1,749)	(1,781)
Exchange differences	(109)	961
Net book value at 31st December	52,256	54,114

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

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at cost	36,168	36,168
Loans to subsidiaries	80,000	80,000
Less: accumulated impairment losses	(18,470)	(18,470)
	97,698	97,698

The loans to subsidiaries are unsecured and denominated in Hong Kong dollar. Out of the total amount, approximately HK\$70,000,000 (2013: HK\$70,000,000) and HK\$10,000,000 (2013: HK\$10,000,000) are interest bearing at Hong Kong prime rate plus 1% (2013: Hong Kong prime rate plus 1%) and Hong Kong prime rate minus 1% (2013: Hong Kong prime rate minus 1%), per annum respectively. They are not repayable within the next twelve months as at the balance sheet date. The carrying value of the loans to subsidiaries approximates to its fair value as at 31st December 2014.

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2014	2013	
Shares held directly:					
Ever Achieve Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Money lending
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK\$1 each	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Nominee services
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK\$1 each	100%	100%	Property investment
Headmost Technology Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Leung Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	100%	100%	Securities investment
Shun Xin Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
Yearson Properties Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
Shares held indirectly:					
Atlas Securities Pty Limited.	Australia	2 ordinary shares of A\$1 each	100%	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
Bonvision Consultancy (Beijing) Company Limited	PRC (a)	HK\$500,000	100%	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	PRC (a)	US\$200,000	100%	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2014	2013	
Shares held indirectly: (continued)					
China Betung Automobile (H.K.) Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
Crimson Pharmaceutical (Hong Kong) Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	51%	51%	Pharmaceutical services
Crimson Pharmaceutical (Shanghai) Company Limited	PRC (a)	US\$1,400,000	51%	51%	Pharmaceutical services
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Investment holding
Excel Partner Holdings Limited	Hong Kong	1 ordinary share of HK\$1 each	—	100%	Pharmaceutical services
First eFinance Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Internet financial service system services
First Shanghai Asset Management Limited	Hong Kong	9,000,000 ordinary shares of HK\$1 each	—	100%	Asset management
First Shanghai Capital Limited	Hong Kong	22,000,000 ordinary shares of HK\$1 each	100%	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
First Shanghai Futures Limited	Hong Kong	19,000,000 ordinary shares of HK\$1 each	100%	100%	Futures broking
First Shanghai Hotel Limited	France	100 ordinary shares of EUR100 each	100%	—	Hotel operation
First Shanghai Investment Management (HK) Limited (formerly known as Great Thrive Limited)	Hong Kong	500,000 ordinary shares of HK\$1 each	100%	100%	Asset management
First Shanghai Properties (Kunshan) Company Limited	PRC (b)	US\$5,000,000	70%	70%	Property development
First Shanghai Real Estate (Holdings) Limited	Hong Kong	10 ordinary shares of HK\$1 each	100%	100%	Investment holding
First Shanghai Resort S.a.r.l.	Luxembourg	12,500 ordinary shares of EUR1 each	100%	100%	Investment holding
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares of HK\$1 each	100%	100%	Stockbroking

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2014	2013	
Shares held indirectly: (continued)					
First Shanghai Venture Capital Management (Shenzhen) Company Limited	PRC (a)	HK\$1,000,000	100%	100%	Financial consultancy
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
Gold S.A.S.	France	2,000,000 ordinary shares of EUR7.01 each	100%	100%	Hotel and golf course operation
HK Landshine Real Estate Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Investment holding
Huangshan Hui Zhong Property Development Company Limited	PRC (a)	US\$5,000,000	100%	100%	Property development
Kunshan Shi Jingying Hotel Management Company Limited	PRC (c)	RMB1,000,000	70%	70%	Hotel operation
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US\$1 each	100%	100%	Property investment
Perfect Honour Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
P.H.A. Investments Pty. Limited	Australia	60,000 ordinary shares of A\$2 each	—	78.6%	Investment holding
P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A\$0.5 each	—	78.6%	Investment holding
Shanghai Fu Heng Properties Management Limited	PRC (c)	RMB500,000	55%	55%	Property management
Shanghai Transvision Network Application Service Company Limited	PRC (a)	US\$1,800,000	100%	100%	Investment holding
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	PRC (b)	US\$11,025,000	62%	62%	Container transportation and freight forwarding
Sirton Pharmaceuticals S.p.A.	Italy	300,000 ordinary shares of EUR1 each	—	100%	Pharmaceutical services
Staying Power International Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Talent Creation Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
United Asia Transport Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2014	2013	
Shares held indirectly: (continued)					
Wise Success Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Securities investment
Wise United Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Securities investment
Wuxi HK Landshine Real Estate Company Limited ("Wuxi Landshine")	PRC (b)	US\$20,000,000	70%	70%	Property development
Wuxi Sunshine Real Estate Limited	PRC (a)	US\$30,000,000	100%	100%	Hotel operation
Zhongshan Sunshine Resort Limited	PRC (a)	RMB80,000,000	99.9%	99.9%	Property development

Notes:

- (a) Subsidiaries incorporated in the PRC registered as wholly-owned foreign enterprises.
- (b) Subsidiaries incorporated in the PRC registered as sino-foreign equity joint ventures.
- (c) Subsidiaries incorporated in the PRC registered as limited companies.

Material non-controlling interests

The total non-controlling interest for the year is HK\$76,940,000 (2013: HK\$92,784,000), of which HK\$59,641,000 (2013: HK\$60,466,000) is attributed to Wuxi Landshine. The non-controlling interests in respect of the other companies are not material.

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES *(continued)***Summarised financial information for a subsidiary with material non-controlling interests**

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

	2014 HK\$'000	2013 HK\$'000
Summarised income statement		
Revenue	5,475	4,742
Loss after taxation	(3,650)	(2,254)
Total comprehensive loss	(3,650)	(2,254)
Summarised balance sheet		
Assets		
Non-current assets	109,982	111,398
Current assets	367,449	273,113
	477,431	384,511
Liabilities		
Non-current liabilities	110,058	124,106
Current liabilities	168,571	58,853
	278,629	182,959
Net assets	198,802	201,552
Summarised cash flows		
Cash flows used in operating activities	(1,383)	(1,613)
Net cash from investing activities	17	1
Net cash (used in)/generated from financing activities	(5,265)	4,777
Net (decrease)/increase in cash and cash equivalents	(6,631)	3,165
Cash and cash equivalents at 1st January	7,722	4,419
Exchange difference	(26)	138
Cash and cash equivalents at 31st December	1,065	7,722

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

Notes to the Consolidated Financial Statements

20. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	279,921	241,473
Share of associated companies' results		
— Profit before taxation	15,990	835
— Taxation	(2,259)	3,761
Share of an associated company's reserves	57,189	31,987
Constructive obligations in share of loss of an associated company recognised in other payables	235	1,784
Exchange differences	76	81
At 31st December	351,152	279,921

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

Name	Place of incorporation	Effective interest held		Measurement method
		2014	2013	
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	33.25%	33.25%	Equity
Holygene Corporation (see note (b) below)	British Virgin Islands	54.26%	54.26%	Equity

Notes:

- (a) China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The market value of the listed security as at 31st December 2014 was approximately HK\$104,133,000 (2013: HK\$70,188,000). China Assets is principally engaged in investment holding.
- (b) Holygene Corporation is deemed to be an associated company of the Group as the Group owns less than half of the voting power of the entity. Holygene Corporation is principally engaged in pharmaceutical services.

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

Notes to the Consolidated Financial Statements

20. INVESTMENTS IN ASSOCIATED COMPANIES (continued)**Summarised financial information and reconciliation for a material associated company**

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

	2014 HK\$'000	2013 HK\$'000
Summarised income statement		
Revenue	6,689	5,800
Other gains, net	79,379	35,652
Profit after taxation	75,434	25,358
Other comprehensive income	221,780	104,946
Total comprehensive income	297,214	130,304
Summarised balance sheet		
Assets		
Non-current assets	1,187,179	958,137
Current assets	354,421	274,971
	1,541,600	1,233,108
Liabilities		
Non-current liabilities	—	693
Current liabilities	16,406	4,800
	16,406	5,493
Net assets		
	1,525,194	1,227,615
Interest in associate	507,127	408,182
Effect of cross holding	(172,613)	(144,949)
Others	16,638	16,688
Interest attributable to the Group	351,152	279,921

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

Financial information for an immaterial associated company

The carrying amount of the Group's interests in an immaterial associated company is HK\$Nil (2013: HK\$Nil). Set out below is the financial information for the Group's share of this associated company.

	2014 HK\$'000	2013 HK\$'000
Loss after tax	(235)	(1,784)

Notes to the Consolidated Financial Statements

21. INVESTMENTS IN JOINT VENTURES

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	244,972	236,795
Share of joint ventures' results		
— Profit before taxation	12,514	11,559
— Taxation	(247)	(2,201)
Acquisition of a joint venture	—	148
Dividend income	(6,295)	(8,737)
Disposal of subsidiaries	(100)	—
Exchange differences	(770)	7,408
At 31st December	250,074	244,972

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

Name	Place of incorporation/ establishment/ and operation	Effective interest in ownership/ voting power/ profit sharing		Measurement method
		2014	2013	
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") (see note (a) below)	PRC	50%	50%	Equity
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") (see note (b) below)	PRC	50%	50%	Equity
Injenerics S.r.l.	Italy	—	50%	Equity

Notes:

- (a) Goodbaby Bairuikang was established as an equity joint venture in the PRC in December 1997 for a term of 50 years. It is principally engaged in the manufacturing of child hygienic products.
- (b) Zhangjiang was established as an equity joint venture in the PRC in October 2002 for a term of 50 years. It is principally engaged in property development.

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

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

Notes to the Consolidated Financial Statements

21. INVESTMENTS IN JOINT VENTURES (continued)**Summarised financial information and reconciliation for a material joint venture**

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

	2014 HK\$'000	2013 HK\$'000
Summarised income statement		
Revenue	25,429	26,200
Depreciation and amortisation	27	71
Interest income	171	99
Income tax (credit)/charge	(170)	3,732
Profit after taxation	22,766	16,744
Total comprehensive income	22,766	16,744
Dividends received from a joint venture	6,295	8,737
Summarised balance sheet		
Assets		
Non-current assets	501,949	501,653
Cash and cash equivalents	24,051	18,631
Other current assets	34,710	28,553
Total current assets	58,761	47,184
	560,710	548,837
Liabilities		
Non-current liabilities	85,702	85,544
Current liabilities	59,681	56,884
	145,383	142,428
Net assets	415,327	406,409
Interest attributable to the Group	207,664	203,204

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

Notes to the Consolidated Financial Statements

21. INVESTMENTS IN JOINT VENTURES (continued)**Financial information for immaterial joint ventures**

The carrying amount of the Group's interests in the immaterial joint ventures is HK\$42,410,000 (2013: HK\$41,768,000). Set out below are the financial information for the Group's share of these joint ventures.

	2014 HK\$'000	2013 HK\$'000
Profit after tax	884	986
Total comprehensive income	884	986

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
At 1st January	142,932	126,890	141,304	125,290
Addition	60,406	—	60,406	—
Fair value change transfer to other comprehensive income	312,028	16,014	312,028	16,014
Disposal	(971)	—	—	—
Disposal of subsidiaries	(377)	—	—	—
Written off	(218)	—	—	—
Exchange differences	(62)	28	—	—
At 31st December	513,738	142,932	513,738	141,304
	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Listed securities				
— Equity securities, Overseas	—	971	—	—
Unlisted securities				
— Equity securities (note)	513,738	141,304	513,738	141,304
— Equity securities, Overseas	—	657	—	—
	513,738	142,932	513,738	141,304
Market value of listed securities	—	971	—	—

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

Notes to the Consolidated Financial Statements

23. LOANS AND ADVANCES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loans and advances (note (a))	64,508	67,452	60,515	63,446
Provision for impairment	(56,583)	(56,596)	(52,590)	(52,590)
Less: non-current portion	7,925 (7,925)	10,856 (10,856)	7,925 (7,925)	10,856 (10,856)
Current portion	—	—	—	—
Margin loans (note (b))	977,113	538,806	—	—
	977,113	538,806	—	—

Notes:

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

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

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	56,596	56,475
Exchange differences	(13)	121
At 31st December	56,583	56,596

The carrying amounts of loans and advances are denominated in Hong Kong dollars.

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

Notes to the Consolidated Financial Statements

24. PROPERTIES UNDER DEVELOPMENT

	Group	
	2014 HK\$'000	2013 HK\$'000
Leasehold land and land use rights	197,525	178,506
Construction costs	213,392	68,318
	410,917	246,824

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

25. INVENTORIES

	Group	
	2014 HK\$'000	2013 HK\$'000
Raw materials	332	5,194
Work-in-progress	—	1,388
Finished goods	707	1,823
	1,039	8,405

26. TRADE RECEIVABLES

	Group	
	2014 HK\$'000	2013 HK\$'000
Due from stockbrokers and clearing houses	71,339	73,169
Due from stockbroking clients	162,644	150,045
Trade receivables	20,773	35,413
Bills receivable	—	229
	254,756	258,856
Provision for impairment	(16,506)	(16,814)
	238,250	242,042

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

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

Notes to the Consolidated Financial Statements

26. TRADE RECEIVABLES (continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
0–30 days	236,512	234,254
31–60 days	1,299	4,182
61–90 days	367	2,865
Over 90 days	72	741
	238,250	242,042

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

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	16,814	16,120
Provision for impairment during the year (Note 6)	175	196
Disposal of subsidiaries	(126)	—
Receivables written off	(280)	(1)
Exchange differences	(77)	499
At 31st December	16,506	16,814

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Hong Kong dollars	199,743	200,925
Renminbi	18,546	1,334
US dollars	19,782	24,423
Euro	87	15,360
Others	92	—
	238,250	242,042

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

Notes to the Consolidated Financial Statements

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Other receivables	120,703	29,940	75,528	8
Prepayments and deposits	21,840	37,813	638	635
	142,543	67,753	76,166	643

The fair values of the Group's and the Company's other receivables and deposits are approximately the same as the carrying values.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2014 HK\$'000	2013 HK\$'000
Amounts due from subsidiaries	1,930,364	1,854,437
Provision for impairment	(341,039)	(330,995)
	1,589,325	1,523,442

The amounts due from subsidiaries are unsecured and repayable on demand. Out of the total amount, approximately HK\$206,084,000 (2013: HK\$201,132,000) is interest bearing at Hong Kong prime rate minus 2.5% (2013: Hong Kong prime rate minus 2.5%) per annum. The remaining balances are interest free. Out of the total amount, approximately HK\$1,579,088,000 (2013: HK\$1,482,060,000) and HK\$10,237,000 (2013: HK\$41,382,000) are denominated in Hong Kong dollars and Renminbi, respectively.

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

	Company	
	2014 HK\$'000	2013 HK\$'000
At 1st January	330,995	318,238
Provision for impairment during the year	10,044	12,757
At 31st December	341,039	330,995

(b) Amounts due to subsidiaries

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

Notes to the Consolidated Financial Statements

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 HK\$'000	2013 HK\$'000
Equity securities		
— Listed, Hong Kong	28,666	68,891
— Listed, Overseas	16	8,809
Market value of financial assets	28,682	77,700
Unlisted securities	5,050	5,050
	33,732	82,750

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

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

30. DEPOSITS WITH BANKS

	Group	
	2014 HK\$'000	2013 HK\$'000
Non-pledged	7,584	3,032

The carrying amounts of the deposits with banks are denominated in Renminbi. The weighted average effective interest rate on the deposits was 3.03% (2013: 3.25%) per annum.

As at 31st December 2014, deposits of HK\$7,584,000 (2013: HK\$3,032,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

Notes to the Consolidated Financial Statements

31. CASH AND CASH EQUIVALENTS AND CLIENT TRUST BANK BALANCES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank and in hand	283,454	151,920	77,046	4,939
Short-term bank deposits				
— pledged (Note 33)	15,000	15,000	10,000	10,000
— non-pledged	65,621	151,697	—	—
Total cash and cash equivalents	364,075	318,617	87,046	14,939
Client trust bank balances	1,656,587	1,400,313	—	—
	2,020,662	1,718,930	87,046	14,939

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollars	1,625,986	1,387,999	87,046	14,893
Renminbi	156,565	196,161	—	—
US dollars	218,374	112,777	—	46
Australian dollars	15,986	15,781	—	—
Euro	3,751	6,212	—	—
	2,020,662	1,718,930	87,046	14,939

Bank balances of HK\$98,774,000 (2013: HK\$154,142,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

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

Notes to the Consolidated Financial Statements

32. TRADE AND OTHER PAYABLES

	Group	
	2014 HK\$'000	2013 HK\$'000
Due to stockbrokers and dealers	12,957	9,282
Due to stockbroking clients	2,023,245	1,530,571
Trade payables	128,519	28,889
Total trade payables	2,164,721	1,568,742
Advance receipts from customers	3,653	14,984
Accruals and other payables	223,915	109,649
	2,392,289	1,693,375
	Company	
	2014 HK\$'000	2013 HK\$'000
Accruals and other payables	102,784	7,910

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

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK\$1,656,587,000 (2013: HK\$1,400,313,000).

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

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

Notes to the Consolidated Financial Statements

32. TRADE AND OTHER PAYABLES (continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
0–30 days	113,881	10,342
31–60 days	2,453	4,644
61–90 days	4,156	4,475
Over 90 days	8,029	9,428
	128,519	28,889

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollars	2,014,513	1,536,048	102,784	7,910
Renminbi	182,513	77,698	—	—
US dollars	185,800	57,721	—	—
Australian dollars	60	362	—	—
Euro	9,390	21,546	—	—
Others	13	—	—	—
	2,392,289	1,693,375	102,784	7,910

33. BORROWINGS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank loans — secured				
Non-current	284,862	307,441	—	—
Current	101,550	82,976	10,000	—
	386,412	390,417	10,000	—

Notes to the Consolidated Financial Statements

33. BORROWINGS (continued)

The Group's borrowings were repayable as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Within 1 year	101,550	82,976
Between 1 and 2 years	63,382	21,622
Between 2 and 5 years	158,098	184,068
Over 5 years	63,382	101,751
At 31st December	386,412	390,417

	Group	
	2014 HK\$'000	2013 HK\$'000
Wholly repayable within 5 years	180,422	183,735
Wholly repayable after 5 years	205,990	206,682
At 31st December	386,412	390,417

The Company's borrowings were repayable as follows:

	Company	
	2014 HK\$'000	2013 HK\$'000
Within 1 year	10,000	—

The Group has pledged properties of HK\$213 million (2013: HK\$220 million), investment properties of HK\$211 million (2013: HK\$211 million), leasehold land and land use rights of HK\$42 million (2013: HK\$43 million), properties under development of HK\$28 million (2013: HK\$28 million), properties held for sale of HK\$167 million (2013: HK\$174 million) and fixed deposits of approximately HK\$15 million (2013: HK\$15 million) to secure bank borrowings.

Bank borrowings are either repayable on demand or will mature and be repayable in April 2015 to June 2021 and bear floating interest rates. The weighted average effective interest rate at 31st December 2014 was 5.54% (2013: 5.55%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$80,000,000 (2013: HK\$72,000,000) and HK\$306,412,000 (2013: HK\$318,417,000) are denominated in Hong Kong dollars and Renminbi, respectively.

Notes to the Consolidated Financial Statements

34. RETIREMENT BENEFIT OBLIGATIONS

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

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

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	8,221	7,751
Interest cost	202	182
Experience losses	1,196	37
Benefits paid	(298)	(91)
Disposal of subsidiaries	(8,351)	—
Exchange differences	(970)	342
At 31st December	—	8,221

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Interest cost	202	182

The principal actuarial assumptions used are as follows:

	Group	
	2014	2013
Discount rate	1.12%	2.57%
Expected future pension increase	0%–2.25%	0%–2.25%

Notes to the Consolidated Financial Statements

34. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 5%	Increase by 5%

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

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

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

(a) Inflation risk

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

(b) Life expectancy

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

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

The Group recognised actuarial losses amounted to HK\$1,196,000 (2013: HK\$37,000) for the year ended 31st December 2014 in other comprehensive income.

Notes to the Consolidated Financial Statements

35. SHARE CAPITAL

	2014		2013	
	Number of shares (thousands)	HK\$'000	Number of shares (thousands)	HK\$'000
Authorised: (Note (a)) Ordinary shares of HK\$0.2 each (Note (b))	—	—	2,000,000	400,000
Ordinary shares, issued and fully paid:				
At 1st January 2014 and 2013	1,398,913	279,783	1,398,913	279,783
Transition to no-par value regime on 3rd March 2014 (Note (c))	—	863,542	—	—
Exercise of share options (Note (d))	1,750	1,680	—	—
At 31st December 2014 and 2013	1,400,663	1,145,005	1,398,913	279,783

Note:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transaction.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3rd March 2014, any amount standing to the credit of the share premium and capital redemption reserve have become part of the Company's share capital.
- (d) On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "2002 Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Due to the expiry of the 2002 Scheme, the shareholders of the Company approved a new share option scheme (the "2014 Scheme") on 23rd May 2014. No share options were granted under the 2014 Scheme during the year. The purpose of the 2014 Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the 2014 Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

During the year, 1,750,000 (2013: Nil) new shares were issued upon exercise of options under the 2002 Scheme approved by the shareholders of the Company at exercise price HK\$0.68 (2013: HK\$Nil) per share. These shares rank *pari passu* in all respects with the existing shares of the Company. The related weighted average share price at the time of exercise was HK\$1.61 (2013: HK\$Nil) per share.

Notes to the Consolidated Financial Statements

35. SHARE CAPITAL *(continued)*

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

	2014		2013	
	Average exercise price per share HK\$	Number of options (thousands)	Average exercise price per share HK\$	Number of options (thousands)
At 1st January	1.454	51,568	1.454	51,568
Exercised	0.68	(1,750)	—	—
At 31st December	1.505	49,818	1.454	51,568
Options exercisable at 31st December		49,818		51,568

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

Expiry date	Exercise price HK\$	Number of options	
		2014 (thousands)	2013 (thousands)
11th December 2015	0.564	11,810	11,810
2nd March 2016	0.680	5,500	7,250
22nd May 2017	1.950	32,508	32,508
		49,818	51,568

Notes to the Consolidated Financial Statements

36. RESERVES

Group	Attributable to shareholders of the Company								
	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2014	849,536	40,458	248,262	14,006	12,334	141,304	162,730	906,338	2,374,968
Profit for the year	—	—	—	—	—	—	—	211,091	211,091
Actuarial losses on retirement benefit obligations	—	—	—	—	—	—	—	(867)	(867)
Fair value gain on available-for-sale financial assets	—	—	—	—	—	312,028	—	—	312,028
Exchange reserve realised upon disposal of subsidiaries	—	—	—	—	—	—	5,028	—	5,028
Currency translation differences	—	—	—	—	—	—	(32,399)	—	(32,399)
Share of post-acquisition reserves of an associated company	—	—	57,189	—	—	—	—	—	57,189
Total comprehensive income	—	—	57,189	—	—	312,028	(27,371)	210,224	552,070
Issue of new shares on exercise of share options	—	(490)	—	—	—	—	—	—	(490)
Transfer from retained earnings	—	—	252	—	—	—	—	(252)	—
Transition to no-par value regime on 3rd March 2014	(849,536)	—	—	(14,006)	—	—	—	—	(863,542)
	(849,536)	(490)	252	(14,006)	—	—	—	(252)	(864,032)
At 31st December 2014	—	39,968	305,703	—	12,334	453,332	135,359	1,116,310	2,063,006

Notes to the Consolidated Financial Statements

36. RESERVES (continued)

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

Note: Capital reserve mainly represents share of reserves of associates. Included in capital reserve was also an amount of HK\$11,822,000 (2013: HK\$11,570,000) which represents PRC statutory reserve.

Notes to the Consolidated Financial Statements

36. RESERVES (continued)

Company	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2014	849,536	40,458	2,104	14,006	141,304	370,953	1,418,361
Profit for the year	—	—	—	—	—	16,890	16,890
Fair value gain on available-for-sale financial assets	—	—	—	—	312,028	—	312,028
Issue of new shares on exercise of share options	—	(490)	—	—	—	—	(490)
Transition to no-par value regime on 3rd March 2014	(849,536)	—	—	(14,006)	—	—	(863,542)
At 31st December 2014	—	39,968	2,104	—	453,332	387,843	883,247

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

37. DEFERRED TAXATION

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	(13,120)	(15,184)
Deferred tax liabilities	61,245	69,008
	48,125	53,824

Notes to the Consolidated Financial Statements

37. DEFERRED TAXATION (continued)

The gross movements in the deferred taxation are as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	53,824	49,750
Recognised in the consolidated income statement (Note 8(a))	(7,385)	(9,195)
Deferred tax on actuarial losses	(329)	(10)
Acquisition of a subsidiary	—	10,988
Disposal of subsidiaries	3,258	—
Exchange differences	(1,243)	2,291
At 31st December	48,125	53,824

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

The Group's deferred tax liabilities represented the followings:

	Depreciation HK\$'000	Fair value gains HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1st January 2014	529	63,639	4,840	69,008
Recognised in the consolidated income statement	(194)	(5,788)	(189)	(6,171)
Exchange differences	—	(1,575)	(17)	(1,592)
At 31st December 2014	335	56,276	4,634	61,245
	Depreciation HK\$'000	Fair value gains HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1st January 2013	597	59,591	5,244	65,432
Acquisition of a subsidiary	—	10,988	—	10,988
Recognised in the consolidated income statement	(68)	(9,364)	(568)	(10,000)
Exchange differences	—	2,424	164	2,588
At 31st December 2013	529	63,639	4,840	69,008

Notes to the Consolidated Financial Statements

37. DEFERRED TAXATION (continued)

The Group's deferred tax assets represented the followings:

	Retirement benefit obligations HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January 2014	502	12,750	1,932	15,184
Recognised in the consolidated income statement	—	833	381	1,214
Recognised in the consolidated statement of comprehensive income	329	—	—	329
Disposal of subsidiaries	(771)	(436)	(2,051)	(3,258)
Exchange differences	(60)	(27)	(262)	(349)
At 31st December 2014	—	13,120	—	13,120
	Retirement benefit obligations HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January 2013	472	13,698	1,512	15,682
Recognised in the consolidated income statement	—	(1,144)	339	(805)
Recognised in the consolidated statement of comprehensive income	10	—	—	10
Exchange differences	20	196	81	297
At 31st December 2013	502	12,750	1,932	15,184

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred tax benefits of approximately HK\$187,285,000 (2013: HK\$178,488,000) in respect of tax losses amounting to approximately HK\$838,523,000 (2013: HK\$779,071,000). Out of the total tax losses, approximately HK\$186,883,000 (2013: HK\$165,868,000) will expire within 5 years and the remaining can be carried forward indefinitely against future taxable income.

Notes to the Consolidated Financial Statements

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities**

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	214,904	46,452
Share of net profits of associated companies	(13,731)	(4,596)
Share of net profits of joint ventures	(12,267)	(9,358)
Finance income	(19,026)	(15,715)
Finance costs	19,697	16,953
Gain on disposal of interests in subsidiaries	(210,918)	(290)
Net loss/(gain) on disposal of property, plant and equipment	57	(980)
Depreciation	48,910	41,744
Net loss on disposal of investment properties	53	505
Fair value losses on investment properties	12,982	18,056
Amortisation of leasehold land and land use rights	1,749	1,781
Provision for impairment of goodwill	11,142	—
Provision for doubtful debts	175	196
Provision for obsolete stock	332	324
Loss on disposal of an available-for-sale financial asset	628	—
Loss on write off of an available-for-sale financial asset	218	—
Written back of other loan	—	(3,700)
Operating profit before working capital changes	54,905	91,372
Net increase in properties under development and properties held for sale	(43,166)	(744)
Decrease/(increase) in inventories	1,562	(798)
Increase in loans and advances	(438,307)	(50,525)
Increase in trade receivables	(16,842)	(94,228)
Decrease/(increase) in other receivables, prepayments and deposits	4,399	(25,008)
Decrease in financial assets at fair value through profit or loss	48,353	152,941
Increase in trade and other payables	303,056	46,604
Decrease in retirement benefit obligations	(298)	(91)
Net cash (outflow)/inflow from operating activities	(86,338)	119,523

Notes to the Consolidated Financial Statements

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**(b) Disposal of subsidiaries**

On 31st December 2014, the Group disposed its entire interest in two subsidiaries which principally engaged in pharmaceutical services for a cash consideration of approximately US\$25 million. The Group recorded a net gain on disposal of these subsidiaries amounted to approximately HK\$210 million for the year ended 31st December 2014. In addition, the Group disposed of certain insignificant subsidiaries during the year for an aggregate consideration of approximately HK\$14 million with gains amounted to approximately HK\$1 million.

	2014 HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	53,017
Investments in joint ventures	100
Available-for-sale financial assets	377
Deferred tax assets	3,258
Inventories	5,472
Trade receivables	20,459
Other receivables, prepayments and deposits	2,293
Tax recoverable	328
Financial assets at fair value through profit or loss	665
Cash and cash equivalents	13,495
Trade and other payables	(95,238)
Borrowings	(76)
Retirement benefit obligations	(8,351)
Non-controlling interests	(2,590)
	(6,791)
Realisation of exchange reserve	5,028
Gain on disposal of interests in subsidiaries	210,918
	209,155
Satisfied by:	
Cash consideration received	203,432
Consideration receivable	5,723
	209,155
Analysis of net cash inflow in respect of the disposal of subsidiaries:	
	2014 HK\$'000
Bank balances and cash disposed	(13,495)
Cash consideration received	203,432
Net cash inflow in respect of the disposal of subsidiaries	189,937

Notes to the Consolidated Financial Statements

39. CONTINGENT LIABILITIES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note)	5,958	1,018	—	—
Guarantee for undrawn bank facilities of a subsidiary	—	—	60,000	60,000
	5,958	1,018	60,000	60,000

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

40. COMMITMENTS

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	415,352	519,168
Authorised but not contracted	793,183	842,402

The Company does not have any material capital commitments.

(b) Commitments under operating leases

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Not later than one year	19,577	14,871
Later than one year but not later than five years	37,846	15,088
More than five years	9,442	4,008
	66,865	33,967

Notes to the Consolidated Financial Statements

40. COMMITMENTS (continued)**(b) Commitments under operating leases** (continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Not later than one year	8,972	9,256
Later than one year but not later than five years	4,224	4,571
	13,196	13,827

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

41. RELATED PARTY TRANSACTIONS

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

42. FINANCIAL RISK MANAGEMENT**42.1 Financial risk factors**

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

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

(a) Credit risk analysis

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

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

Notes to the Consolidated Financial Statements

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Financial risk factors (continued)

(a) Credit risk analysis (continued)

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

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

	Loans and advances — long term 2014 HK\$'000	Loans and advances — short term 2014 HK\$'000	Trade receivables 2014 HK\$'000	Other receivables 2014 HK\$'000
Gross amount				
— neither past due nor impaired	—	977,113	234,198	120,703
— past due but not impaired				
— less than three months	—	—	3,980	—
— between three to six months	—	—	63	—
— over six months	—	—	9	—
— impaired	60,515	3,993	16,506	6,665
	60,515	981,106	254,756	127,368
	Loans and advances — long term 2013 HK\$'000	Loans and advances — short term 2013 HK\$'000	Trade receivables 2013 HK\$'000	Other receivables 2013 HK\$'000
Gross amount				
— neither past due nor impaired	—	538,806	235,271	29,940
— past due but not impaired				
— less than three months	—	—	5,828	—
— between three to six months	—	—	54	—
— over six months	—	—	746	—
— impaired	63,446	4,006	16,957	8,222
	63,446	542,812	258,856	38,162

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are mainly listed securities, the majority of which are listed in Hong Kong. The total market value of securities amounted to HK\$6,562 million (2013: HK\$3,316 million) and margin loans receivable amounted to HK\$977 million (2013: HK\$539 million).

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

Notes to the Consolidated Financial Statements

42. FINANCIAL RISK MANAGEMENT (continued)**42.1 Financial risk factors** (continued)**(a) Credit risk analysis** (continued)

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, and trade and other receivables are neither past due nor impaired as at 31st December 2014 and 2013.

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

	Other receivables 2014 HK\$'000	Loans and advances 2014 HK\$'000	Loans to subsidiaries 2014 HK\$'000	Amounts due from subsidiaries 2014 HK\$'000
Gross amount				
— neither past due nor impaired	75,528	—	80,000	1,589,325
— impaired	—	60,515	—	341,039
	75,528	60,515	80,000	1,930,364
	Other receivables 2013 HK\$'000	Loans and advances 2013 HK\$'000	Loans to subsidiaries 2013 HK\$'000	Amounts due from subsidiaries 2013 HK\$'000
Gross amount				
— neither past due nor impaired	8	—	80,000	1,523,442
— impaired	—	63,446	—	330,995
	8	63,446	80,000	1,854,437

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, other receivables, and loans to and amounts due from subsidiaries are neither past due nor impaired as at 31st December 2014 and 2013.

None of the financial assets that are fully performing has been renegotiated in 2014 and 2013.

(b) Liquidity risk analysis

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities by choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK\$283,454,000 (2013: HK\$151,920,000) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to the Consolidated Financial Statements

42. FINANCIAL RISK MANAGEMENT (continued)**42.1 Financial risk factors** (continued)**(b) Liquidity risk analysis** (continued)

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

	Less than one year 2014 HK\$'000	More than one year 2014 HK\$'000
Borrowings and interest payable	107,951	345,006
Trade and other payables	2,214,265	—
Financial guarantee contracts	5,958	—
	2,328,174	345,006
	Less than one year 2013 HK\$'000	More than one year 2013 HK\$'000
Borrowings and interest payable	89,991	388,580
Trade and other payables	1,656,965	—
Financial guarantee contracts	1,018	—
	1,747,974	388,580

The contractual amount of the Company's bank borrowings, accruals and other payables and financial guarantee contracts amounting to HK\$10,000,000 (2013: HK\$Nil), HK\$62,490,000 (2013: HK\$1,576,000) and HK\$60,000,000 (2013: HK\$60,000,000) respectively.

The amounts disclosed above are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

42. FINANCIAL RISK MANAGEMENT *(continued)*

42.1 Financial risk factors *(continued)*

(c) Market risk analysis — foreign exchange risk

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

At 31st December 2014, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax profit for the year would have been HK\$3,640,000 (2013: HK\$2,796,000) higher/lower, mainly as a result of foreign exchange gain on translation of Renminbi-denominated bank deposits. There is no significant impact on equity as most of the available-for-sale securities are denominated in Hong Kong dollars.

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

(d) Market risk analysis — interest rate risk

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

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

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

42. FINANCIAL RISK MANAGEMENT *(continued)*

42.1 Financial risk factors *(continued)*

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

At 31st December 2014, if interest rates on the Group's margin loans, cash at bank, bank deposits and bank loans had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK\$9,624,000 (2013: HK\$4,700,000) higher/lower. There is no impact on equity.

At 31st December 2014, if interest rates on the Company's loans to and amounts due from subsidiaries, cash at bank, bank deposits and bank loan had been 100 basis points higher/lower with all other variables held constant, the Company's post-tax profit for the year would have been HK\$4,367,000 (2013: HK\$3,668,000) higher/lower. There is no impact on equity.

(e) *Market risk analysis — price risk*

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

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

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

At 31st December 2014, if the listed price, quoted price or fair value of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/depreciated by 10%, with all other variables held constant, post-tax profit for the year would have been HK\$3,373,000 (2013: HK\$8,275,000) higher/lower, mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through profit or loss. Equity would have been HK\$51,374,000 (2013: HK\$14,228,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.

Notes to the Consolidated Financial Statements

42. FINANCIAL RISK MANAGEMENT (continued)**42.2 Capital risk management**

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

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

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

The gearing ratios at 31st December 2014 and 2013 are as follows:

	2014 HK\$'000	2013 HK\$'000
Total borrowings (Note 33)	386,412	390,417
Total equity	3,284,951	2,747,535
Gearing ratio	11.8%	14.2%

42.3 Fair value estimation

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

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

Notes to the Consolidated Financial Statements

42. FINANCIAL RISK MANAGEMENT (continued)**42.3 Fair value estimation** (continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2014 and 2013. See Note 17 for disclosures of the investment properties that are measured at fair value.

	Level 1 2014 HK\$'000	Level 2 2014 HK\$'000	Level 3 2014 HK\$'000	Total 2014 HK\$'000
Financial assets at fair value through profit or loss				
— listed securities	28,682	—	—	28,682
— unlisted securities	—	—	5,050	5,050
Available-for-sale financial assets				
— unlisted securities	—	513,738	—	513,738
	28,682	513,738	5,050	547,470
	Level 1 2013 HK\$'000	Level 2 2013 HK\$'000	Level 3 2013 HK\$'000	Total 2013 HK\$'000
Financial assets at fair value through profit or loss				
— listed securities	77,700	—	—	77,700
— unlisted securities	—	—	5,050	5,050
Available-for-sale financial assets				
— listed securities	971	—	—	971
— unlisted securities	—	141,304	657	141,961
	78,671	141,304	5,707	225,682

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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42. FINANCIAL RISK MANAGEMENT (continued)**42.3 Fair value estimation** (continued)**(c) Financial instruments in level 3**

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the changes in level 3 instruments for the years ended 31st December 2014 and 2013.

	Unlisted securities	
	2014 HK\$'000	2013 HK\$'000
Opening balance	5,707	10,812
Disposal of subsidiaries	(377)	(5,133)
Written off	(218)	—
Exchange differences	(62)	28
Closing balance	5,050	5,707
Total (loss)/gains for the year included in profit or loss for assets held at the end of the year, under "Other gains — net"	(218)	12,048

43. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board on 27th March 2015.