



Stock Code 股份代號: 251

Annual Report 2013 年報

與時創建
Building with the times

Directory

Directors

Executive Directors

Mr. Lu Wing Chi
(Chairman and Managing Director)
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

Audit Committee

Mr. Leung Hok Lim *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

Nomination Committee

Mr. Lu Wing Chi *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Remuneration Committee

Mr. Chung Pui Lam *(Chairman)*
Mr. Lu Wing Chi
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Authorised Representatives

Mr. Lambert Lu
Ms. Chan Yuk Ying

Company Secretary

Ms. Chan Yuk Ying

Legal Advisers

Stephenson Harwood
Mayer Brown JSM
Conyers Dill & Pearman

Independent Auditor

Deloitte Touche Tohmatsu

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

26/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2828 6363
Fax: (852) 2598 6861
E-mail: info@seagroup.com.hk

Branch Registrars in Hong Kong

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2528 3158

Listing

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

Stock Code and Board Lot

251/2,000 shares

The shares of Asian Growth Properties Limited, a subsidiary of the Company, are admitted for trading on the AIM Market of London Stock Exchange plc.

Website

www.seagroup.com.hk

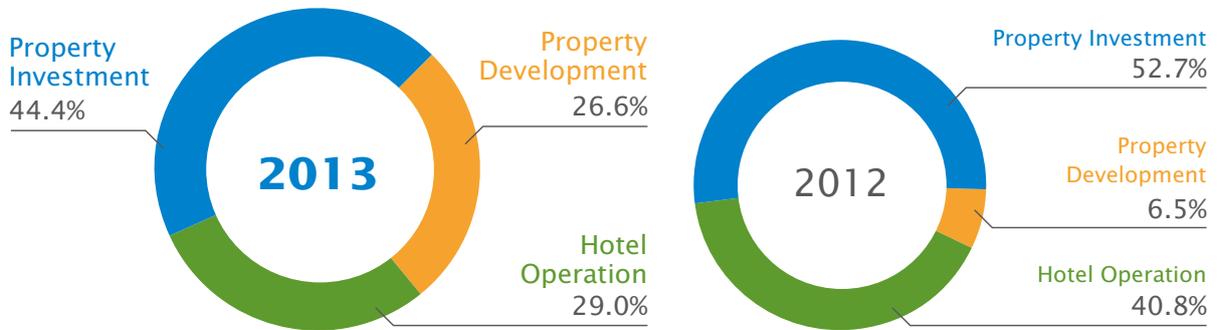
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Financial Highlights

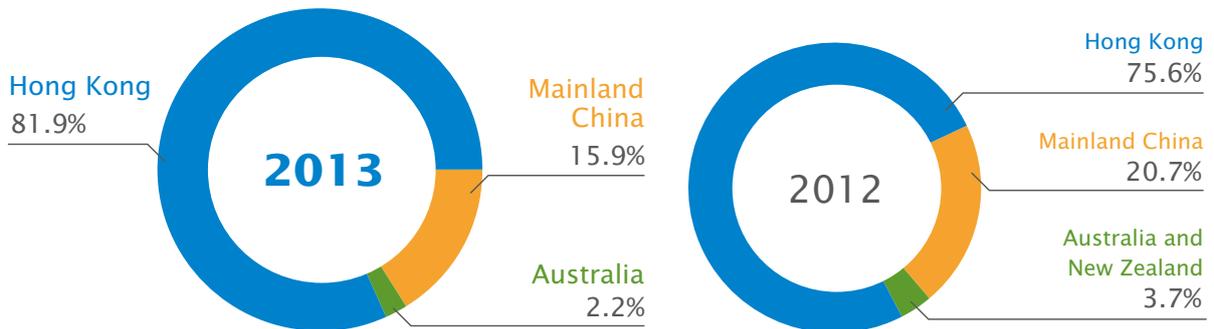
| Five-Year Financial Summary | | | | | |
|---|---------------------------------------|---------------|---------------|-------------------|-------------------|
| Results | | | | | |
| | For the year ended 31 December | | | | |
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m |
| | | | | (Restated) | (Restated) |
| Revenue | 884.2 | 607.3 | 701.3 | 722.3 | 530.7 |
| Profit for the year before non-controlling interests | 524.8 | 1,173.1 | 1,086.3 | 864.0 | 1,334.5 |
| Non-controlling interests | (14.7) | (11.8) | (25.0) | (22.8) | (35.4) |
| Profit for the year attributable to the Company's shareholders | 510.1 | 1,161.3 | 1,061.3 | 841.2 | 1,299.1 |
| Assets And Liabilities | | | | | |
| | As at 31 December | | | | |
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m |
| | | | | (Restated) | (Restated) |
| Total assets | 16,249.9 | 15,317.7 | 14,808.9 | 13,473.2 | 12,447.3 |
| Total liabilities | (4,288.5) | (4,045.7) | (4,617.2) | (4,423.6) | (4,271.7) |
| Non-controlling interests | (410.3) | (302.2) | (302.0) | (277.4) | (273.0) |
| Equity attributable to the Company's shareholders | 11,551.1 | 10,969.8 | 9,889.7 | 8,772.3 | 7,902.6 |
| Performance Data | | | | | |
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| | | | | (Restated) | (Restated) |
| Basic earnings per share for profit attributable to the Company's shareholders | 0.76 | 1.74 | 1.58 | 1.27 | 2.01 |
| Basic earnings/(loss) per share excluding fair value changes on investment properties net of deferred tax | 0.39 | (0.06) | 0.08 | 0.01 | 0.06 |
| Dividends declared (per share) | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| Net asset value per share attributable to the Company's shareholders | 17.18 | 16.34 | 14.78 | 13.11 | 12.21 |

Financial Highlights

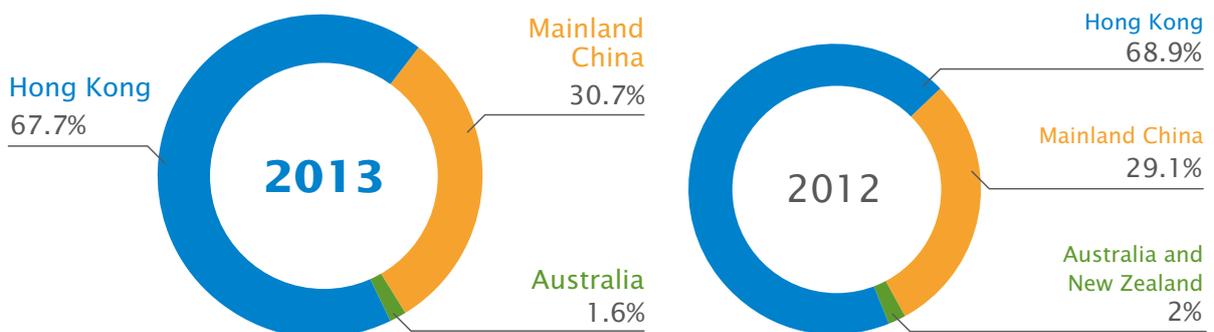
Segment Revenue for External Sales



Revenue from External Customers by Geographical Location of Properties



Property Assets by Geographical Segment



Property Portfolio

At 31 December 2013

| Particulars of Investment Properties | | | | | |
|---|--|-------------------|-------------------|--|----------------------|
| Name | Location | Lease Expiry | Usage | Approximate Gross Floor Area (square metres) | Group's Interest (%) |
| HONG KONG | | | | | |
| Dah Sing Financial Centre | 108 Gloucester Road, Wanchai | 30 June 2047 | Commercial/Office | 37,214 and 156 car parking spaces | 97.2 |
| MAINLAND CHINA | | | | | |
| Plaza Central | 8 Shunchengda Street, Yanshikou, Chengdu, Sichuan Province | 6 October 2063 | Commercial/Office | 91,455 (including car parking floors) | 97.2 |
| Commercial podium in Zone B and car parking spaces on Basements 2 and 3, New Century Plaza | No. 6 Xi Yu Long Street, Qingyang District, Chengdu, Sichuan Province | 18 May 2063 | Commercial | 19,261 (including car parking spaces) | 97.2 |
| Office Tower, Westmin Plaza Phase II | 50 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province | 23 May 2050 | Office | 16,112 | 97.2 |
| AUSTRALIA | | | | | |
| Lizard Island Resort | Lizard Island Tropical North Queensland | 30 September 2050 | Resort Hotel | 10,500 | 100 |
| Particulars of Hotel Building | | | | | |
| Name | Location | Lease Expiry | Usage | Approximate Gross Floor Area (square metres) | Group's Interest (%) |
| HONG KONG | | | | | |
| Crowne Plaza Hong Kong Causeway Bay | 8 Leighton Road, Causeway Bay | 6 November 2049 | Hotel | 14,945 | 97.2 |

Property Portfolio

At 31 December 2013

| Particulars of Properties Held for Sale | | | | | | |
|---|---|---|---------------------------|--|---------------------------------------|----------------------|
| Name | Location | Stage of Completion | Usage | Approximate Gross Floor Area (square metres) | Group's Interest (%) | |
| MAINLAND CHINA | | | | | | |
| Commercial podium, Westmin Plaza Phase II | 48-58 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province | Completed | Commercial | 45,984 (including car parking floors) | 97.2 | |
| Particulars of Development Properties/Properties under Development | | | | | | |
| Name of Project | Location | Stage of Completion | Estimated Completion Date | Usage | Approximate Site Area (square metres) | Group's Interest (%) |
| HONG KONG | | | | | | |
| Sha Tin Town Lot No. 75 and the Remaining Portion of Lot No. 744 | 1-11 Au Pui Wan Street, Fo Tan, Sha Tin, New Territories | Foundation construction completed and superstructure design in progress | Beyond 2015 | Residential/ Commercial | 20,000 | 97.2 |
| MAINLAND CHINA | | | | | | |
| Huangshan Project | Qiankou Town, Huizhou District, Huangshan City, Anhui Province | Planning stage | Phase I - Beyond 2015 | Tourist leisure facilities | 337,000 | 97.2 |
| Nova City | South lateral of Zheng Kai Da Road, Kaifeng, Henan Province | Phase I piling works completed and superstructure works in progress | Phase I - 2015 | Residential/ Commercial | 735,000 | 97.2 |
| Longquan Project | Longquanyi District, Chengdu, Sichuan Province | Phase I site formation and piling works in progress | Phase I - 2016 | Residential/ Commercial | 506,000 | 97.2 |

Location of the Group's Properties/Projects



IN MAINLAND CHINA

- 1 Plaza Central, Sichuan Province
- 2 New Century Plaza, Sichuan Province
- 3 Longquan Project, Sichuan Province
- 4 Nova City, Kaifeng, Henan Province
- 5 Huangshan Project, Anhui Province
- 6 Nanjing Project, Jiangsu Province
- 7 Westmin Plaza Phase II, Guangdong Province



IN HONG KONG

- A Dah Sing Financial Centre
- B Crowne Plaza Hong Kong Causeway Bay
- C Fo Tan Project

Financial Calendar

Results Announcements

| | |
|-----------------------------------|--------------------------------------|
| 2013 Annual results announcement | 27 March 2014 (Thursday) |
| 2014 Interim results announcement | on or before 29 August 2014 (Friday) |

Book Close Dates

For ascertaining shareholders' entitlement to attend and vote at 2014 Annual General Meeting ("AGM")

| | |
|---|--|
| Latest time to lodge transfer documents | 4:30 p.m. on 27 May 2014 (Tuesday) |
| Closure of register of members | 28 May 2014 (Wednesday) to 30 May 2014 (Friday) (both days inclusive) |
| Record date | 30 May 2014 (Friday) |

For ascertaining shareholders' entitlement to the proposed final dividend

| | |
|---|---|
| Latest time to lodge transfer documents | 4:30 p.m. on 6 June 2014 (Friday) |
| Closure of register of members | 9 June 2014 (Monday) to 11 June 2014 (Wednesday) (both days inclusive) |
| Record date | 11 June 2014 (Wednesday) |

Annual General Meeting

| | |
|----------|----------------------|
| 2014 AGM | 30 May 2014 (Friday) |
|----------|----------------------|

Final Dividend

| | |
|---|------------------------|
| Ex-dividend date for 2013 final dividend | 5 June 2014 (Thursday) |
| Payment of 2013 final dividend (subject to shareholders' approval at the 2014 AGM) | 23 June 2014 (Monday) |

Directors' Biographical Information

LU WING CHI

Executive Director



Mr. Lu, aged 67, joined the Group in 1969 and is the Chairman and Managing Director of the Company, the chairman of the Nomination Committee and a member of both the Executive Committee and Remuneration Committee of the Company. He is also an executive director of Asian Growth Properties Limited, a subsidiary of the Company listed in London and a director of various members of the Group. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). He has over 45 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations. To date, Mr. Lu continues to steer and chart the Group's development direction and strategies.

Mr. Lu is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors of the Company and a cousin of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company.

LU WING YUK, ANDREW

Executive Director



Mr. Lu, aged 67, has acted as an Executive Director of the Company since 1989. He is a member of the Executive Committee of the Company and a director of Chengdu Huashang House Development Co., Ltd., a principal subsidiary of the Company. He is the managing director of Kian Nan Trading Company Limited and has over 40 years of experience in the textile industry and international trading.

Mr. Lu is a cousin of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company and an uncle of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors of the Company. He did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information

LINCOLN LU

Executive Director



Mr. Lu, aged 39, joined the Group in 1998 and was appointed as an Executive Director of the Company in December 2003. He is a member of the Executive Committee of the Company, an executive director of Asian Growth Properties Limited, a subsidiary of the Company listed in London and a director of various members of the Group. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). Mr. Lu is primarily responsible for the Group's hotel and project management operations. He is a member of the Sichuan Committee of Chinese People's Political Consultative Conference and an executive member of All-China Federation of Industry and Commerce. Mr. Lu holds a Bachelor of Arts degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company, the elder brother of Mr. Lambert Lu, Executive Director of the Company and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company.

LAMBERT LU

Executive Director



Mr. Lu, aged 37, joined the Group in 1999 and was appointed as an Executive Director of the Company in December 2003. He is a member of both the Executive Committee and Remuneration Committee of the Company. Mr. Lu is an executive director of Asian Growth Properties Limited, a subsidiary of the Company listed in London and a director of various members of the Group. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). Mr. Lu is a member of the Henan Committee of Chinese People's Political Consultative Conference and a vice chairman of The Chamber of Hong Kong Listed Companies. He holds a Bachelor's degree in Statistics and Economics from the University of British Columbia in Canada. He furthered his postgraduate business studies at the Tsinghua School of Economics and Management, Tsinghua University in China.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company, the younger brother of Mr. Lincoln Lu, Executive Director of the Company and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company.

Directors' Biographical Information

LAM SING TAI

Non-Executive Director



Mr. Lam, aged 67, joined the Group in 1973 and was appointed as a Non-executive Director of the Company in April 2006. He has over 40 years of solid experience in property development and investment. He is currently the General Manager of South-East Asia Investment And Agency Company, Limited, a principal wholly-owned subsidiary of the Company, a non-executive director of Asian Growth Properties Limited, a subsidiary of the Company listed in London and a director of various members of the Group. Mr. Lam is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and Mainland China.

WALUJO

SANTOSO, WALLY

Independent

Non-Executive Director



Mr. Santoso, aged 60, has acted as an Independent Non-executive Director of the Company since December 1994 and is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is also the managing director of Grand Ocean (International) Limited and has over 35 years of experience in international trading and manufacturing. Mr. Santoso also holds a Diploma in Accounting.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information

LEUNG HOK LIM

*Independent
Non-Executive Director*



Mr. Leung, *FCPA(Aust.), FCPA(Practising), CPA(Macau)*, aged 78, has acted as an Independent Non-executive Director of the Company since February 1999 and is the chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee of the Company.

Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. Leung is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and the independent non-executive director of a number of listed companies, namely Fujian Holdings Limited, High Fashion International Limited, Phoenix Satellite Television Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.

CHUNG PUI LAM

*Independent
Non-Executive Director*



Mr. Chung, *GBS, OBE, JP*, aged 73, has acted as an Independent Non-executive Director of the Company since September 2004 and is a practicing solicitor in Hong Kong. He is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited, both are listed companies in Hong Kong. In addition, Mr. Chung is serving as members on several advisory committees of the Government of the Hong Kong Special Administrative Region.

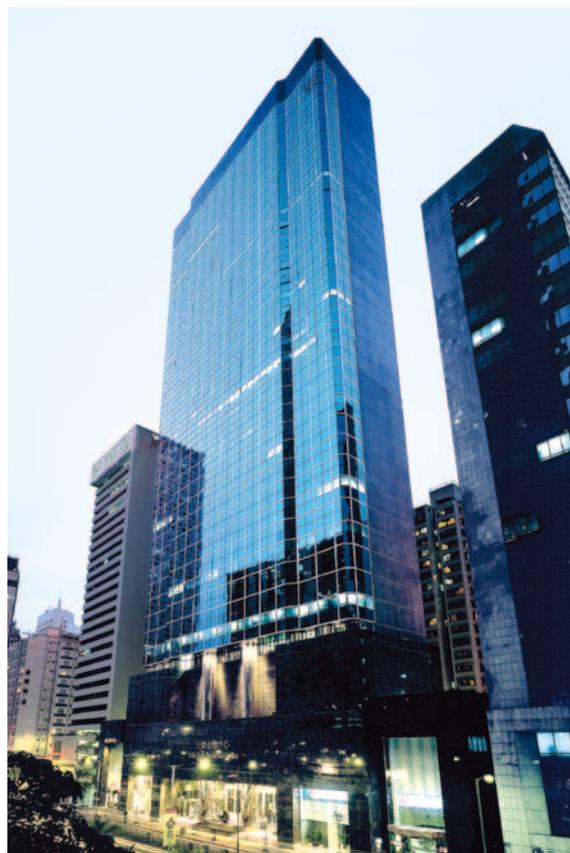
Chairman's Statement

I am pleased to present the consolidated financial results of S E A Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year 2013 to the shareholders of the Company.

Financial Summary

Turnover for the year ended 31 December 2013 amounted to HK\$884.2 million (2012: HK\$607.3 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and the sales of properties in Hong Kong.

Profit attributable to the Company's shareholders for the year amounted to HK\$510.1 million (2012: HK\$1,161.3 million), equivalent to a basic earnings per share of HK75.9 cents (2012: HK174.0 cents). The reported profit attributable to the Company's shareholders included a revaluation surplus on investment properties net of deferred taxation of HK\$258.4 million (2012: HK\$1,239.0 million). By excluding the effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK\$259.3 million (2012: net loss of HK\$41.0 million), equivalent to HK38.6 cents (2012: loss of HK6.1 cents) per share.



Dah Sing Financial Centre

As at 31 December 2013, the Group's equity attributable to the Company's shareholders amounted to HK\$11,551.2 million (2012: HK\$10,969.8 million). The net asset value per share attributable to the Company's shareholders as at 31 December 2013 was HK\$17.18 as compared with HK\$16.34 as at 31 December 2012.

The Group's property assets by geographical location at the year-end were as follows:

| | 31 December 2013 HK\$' million | 31 December 2012 HK\$' million |
|---------------------------|-----------------------------------|-----------------------------------|
| Hong Kong | 9,184.7 | 8,930.8 |
| Mainland China | 4,078.9 | 3,777.4 |
| Australia and New Zealand | 191.5 | 255.2 |
| Total | 13,455.1 | 12,963.4 |

Dividend

The board of directors of the Company (the "Board") has resolved to recommend for shareholders' approval at the forthcoming 2014 AGM the payment of a final dividend of HK6 cents (2012: HK6 cents) per share for the year ended 31 December 2013 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 11 June 2014. The relevant dividend warrants are expected to be despatched on or before Monday, 23 June 2014.

Together with the interim dividend of HK5 cents per share already paid (2012: HK5 cents), the total dividend for the year will be HK11 cents per share (2012: HK11 cents).

Chairman's Statement

Business Review

Property Investment and Development

The Group continues to focus on development and investment projects in Hong Kong and Mainland China. It is the Group's approach to review and optimise the project portfolios from time to time. The Group's core projects located in Hong Kong and Mainland China are listed below.

Hong Kong

The office leasing market was stable during the year. With several tenancies of Dah Sing Financial Centre, a 39-storey commercial building, being renewed at market rates, rental income received during the year increased. The occupancy rate of Dah Sing Financial Centre remains at a high level of approximately 92% as at 31 December 2013.

The Group has sold the commercial podium, all public car parking spaces and all the remaining residential units of The Forest Hills for the year under review. The sale of the residents' car parking spaces are continuing.

The negotiation of the land premium with the Government for the development project at Fo Tan is in progress. This development project has a site area of approximately 20,000 square metres and envisages, among other facilities, residential units, car parks, educational facilities and a bus terminus. The foundation work of the project has been completed and the amended building plans were approved by the Buildings Department.

Mainland China

Chengdu, Sichuan Province

During the year, the occupancy rate for the two 30-storey office towers of Plaza Central remained at a high level and its retail podium with a gross floor area of about 29,000 square metres is fully let principally to Chengdu New World Department Store on a long-term lease. As at 31 December 2013, the aggregate occupancy rate for the two office towers and the retail podium was approximately 93%. Leasing activities for the remaining areas of Plaza Central continue.

The shopping arcade of New Century Plaza with a gross floor area of about 16,300 square metres is fully let to a furniture retailer on a medium-term lease.



Longquan project (prospective view)

The master layout plan of the Longquan project, which has a site area of 506,000 square metres, was approved by the local government in January 2014. Site formation and piling works for Phase I of the project have been completed.

Chairman's Statement



Master layout plan model (left) as well as the sales centre (below) of Nova City



Kaifeng, Henan Province

The Kaifeng project, known as “Nova City”, is situated in Zheng-Kai District, a new town in Kaifeng and envisages shopping mall, premium offices, exhibition hall, hotel, serviced apartments and residential towers. This project has a site area of 735,000 square metres and in order to provide a better living environment, the gross floor area of the development will vary from 2,000,000 to 2,500,000 square metres only. The master layout plan has been approved by the local government and foundation work for Phase I of the residential has been completed during the year under review. The superstructure works for Phase I of the residential are in progress and scheduled to be completed in the first quarter of 2015.

Guangzhou, Guangdong Province

As at 31 December 2013, the occupancy rate of the 14-storey office tower of Westmin Plaza Phase II of about 16,100 square metres was approximately 99% with more than one-third of the total office space being leased to AIA. Leasing activities for the 3-storey shopping arcade of Westmin Plaza Phase II with a total gross floor area of about 26,400 square metres are in progress.

Huangshan, Anhui Province

The project in Huangshan has a site area of about 337,000 square metres comprising of development land of about 117,000 square metres and landscape land of 220,000 square metres. The master layout plan for the development of the project comprising a hotel, serviced apartments and resort villas in the integrated resort site has been approved by the local government and site formation work for phase I of the project is in progress.

Chi Shan, Nanjing, Jiangsu Province

The Group has established two 51%-owned joint venture companies to participate in the tenant relocation arrangements and excavation and infrastructure works on certain pieces of land in Chi Shan. The Group intends to acquire such lands through land auctions by different stages.

Chairman's Statement

Australia and New Zealand

Turnover generated from the property investment projects in Australia for the year ended 31 December 2013 was HK\$19.4 million (2012: HK\$22.5 million). During the year, the Group had acquired the remaining interest of Lizard Island Resort, Australia held by the other shareholder and had disposed of its remaining interest in Christchurch project, New Zealand.

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. It has achieved satisfactory occupancy and room rates for the year under review.



Crowne Plaza Hong Kong Causeway Bay

Financial Resources and Liquidity

Working Capital and Loan Facilities

As at 31 December 2013, the Group's total bank deposits, bank balances and cash was HK\$2,156.5 million (2012: HK\$1,703.7 million) and unutilised facilities were HK\$965 million (2012: HK\$1,040.0 million).

Gearing ratio as at 31 December 2013, calculated on the basis of net interest bearing debt minus bank deposits, bank balances and cash as a percentage of total property assets, was 7.9% (2012: 9.1%).

As at 31 December 2013, maturity of the Group's outstanding borrowings was as follows:

| | 31 December 2013 HK\$' million | 31 December 2012 HK\$' million |
|---------------------|-----------------------------------|-----------------------------------|
| Due | | |
| Within 1 year | 1,500.3 | 410.2 |
| 1-2 years | 395.2 | 1,171.0 |
| 3-5 years | 1,082.9 | 1,015.4 |
| Over 5 years | 256.6 | 300.9 |
| | 3,235.0 | 2,897.5 |
| Less: Front-end fee | (13.7) | (15.4) |
| | 3,221.3 | 2,882.1 |

Chairman's Statement

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 31 December 2013 amounted to HK\$3,104.8 million (2012: HK\$2,725.1 million) which comprised of secured bank loans of HK\$2,894.8 million (2012: HK\$2,725.1 million) and unsecured bank loans of HK\$210 million (2012: nil). The secured bank loans were secured by properties valued at HK\$10,865.5 million and note receivables of HK\$54.3 million (2012: secured by properties valued at HK\$10,407.8 million and fixed deposits of HK\$58.8 million).

A subsidiary of the Company operating in Australia pledged its properties with an aggregate carrying value of HK\$191.5 million as at 31 December 2013 (2012: HK\$249.9 million) to secure bank loans of HK\$116.5 million (2012: HK\$157.0 million).



Plaza Central

Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2013, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

Staff and Emolument Policy

As at 31 December 2013, the Group had a total of 426 employees (2012: 376 employees) in Hong Kong and Mainland China. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$177.4 million for the year ended 31 December 2013 (2012: HK\$238.9 million).

The Group maintains good working relationship with its employees and continues to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, skills, responsibilities, performance and development potentials. Discretionary bonuses are granted in line with the Group's financial results and employees' performance. Fringe benefits including medical insurance scheme, study and training allowances, examination leave and voluntary employer contributions to retirement schemes are offered to employees. In addition, to retain and motivate management staff and good performers, the Company has adopted an employee share option scheme and a share award scheme with options to subscribe for shares in the Company and awards of shares being granted by the Board to the Group's employees (including directors of the Company) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.

Chairman's Statement

Outlook

With the pick up of trade in the second half of 2013, the International Monetary Fund (the "IMF") is predicting that economic global activity is expected to improve further in 2014 with an anticipated growth rate of 3.7%. The IMF also stated in their report published in January 2014 that in advanced economies, output gaps generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. However, the global political and economic landscape continues to be uncertain in this year.

The Mainland China property market continues to grow with the 100-cities index recording twenty months growth since June 2012. However, the growth momentum continues to be slowing down in recent months. China's largest stockbroker has recently revised upwards the property price growth figure in Mainland China from 3% to 8%.

In Hong Kong, the property prices of residential properties have declined slightly and there may be a further modest decline in 2014. It is believed that land supply continues to be a problem. The Hong Kong Government's policy does not address the prompt implementation of a comprehensive solution to the housing shortage with insufficient housing stock being produced and an administrative system which seems to have lost its way.

Negotiation of the land premium for our Fo Tan development project is a slow and painful process. The Group is awaiting a more realistic revised land premium from the Hong Kong Lands Department which should reflect the current market circumstances. There has been some softening of rents from the recent highs for our Dah Sing Financial Centre but pick up is anticipated in the latter half of the year with an uptick in the financial service market activity. Our hotel has firmly established itself as the number one hotel in Causeway Bay recording high occupancy rates which are predicted to continue. The hotel is currently looking at growing its room rate by 5% in view of the increased Chinese visitors.



Fo Tan Project

In Mainland China, our investment properties remain substantially let and generate steady cash flow whilst the two major developments in Chengdu and Kaifeng are now under construction. Pre-sales of the first phase of the Kaifeng project will commence in the second quarter of this year while pre-sales of the residential project in Chengdu will commence in the middle of the year. Both cities are expected to see modest growth in sales prices over the year and are unlikely to be so affected as the first tier cities where further intervention could be imposed by the Central Government. As cooling measures have resulted in a much reduced number of apartments sold and thus such further intervention may not be foreseen.

Chairman's Statement

Notwithstanding an anticipated modest decline in property prices for residential properties in Hong Kong, the outlook for the markets in which the Group operate is expected to be relatively stable in 2014.



Lu Wing Chi
Chairman and Managing Director

Hong Kong, 27 March 2014

Corporate Governance Report

The Company recognises the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying, formulating, establishing and enhancing corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements.

Corporate Governance Practices

Through the year ended 31 December 2013, the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations:

- *Code provision A.2.1 which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.* The Company does not propose to comply with this code provision for the time being. The Chairman who is holding the office of Managing Director of the Company currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operation and development of the Group for a considerably long period and has withstood the test of time and that no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment while the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates. In addition, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises conscientious, experienced and high calibre individuals including three independent non-executive directors ("INEDs").
- *Code provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term.* Each of the existing non-executive directors (including the INEDs) of the Company does not have a specific term of appointment but is subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every director will retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.

The Board will continually review and recommend such proposals as appropriate in the circumstances of such deviations.

Corporate Governance Report

Board of Directors

Composition

The directors of the Company who served the Board during the year under review and up to the date of this report are named as follows:

Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

An updated list of directors of the Company and their respective roles and functions have been maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”). Biographical particulars of the existing directors are set out in the section headed “Directors’ Biographical Information” on pages 8 to 11.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and has adopted Board Diversity Policy (the “Policy”) in 2013. Board diversity will be considered by the Company from a number of aspects, including but not limited to cultural and educational background, experience, skills, knowledge, length of service, age and gender. The Company’s business model and specific needs will also be taken into account in determining the optimum composition of the Board.

The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate.

Role and Function

The Company is governed by the Board and the directors are accountable to the shareholders for the activities and performance of the Group. To oversee the Group’s business and development, the Board has reserved for its decision and consideration the following matters:

- (i) adoption and overall oversight of objectives and strategic plans;
- (ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;
- (iii) approval of interim dividends and other distribution and recommendation of final dividends for shareholders’ approval;
- (iv) establishment of board committees and delegation of powers of the Board to the board committees;

Corporate Governance Report

- (v) appointment, re-appointment, re-designation and removal of board members;
- (vi) approval of significant accounting policies and practices;
- (vii) oversight of corporate governance and internal controls; and
- (viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of the Board's decisions (including business strategies and initiatives it has adopted) and daily operations, preparation of annual and interim financial statements for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management procedures as well as compliance with relevant requirements, rules and regulations.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct applicable to employees and directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed the Company's corporate governance practices.

Retirement and Re-election

In accordance with the Company's Bye-laws, every director shall retire from office no later than the third annual general meeting after he was last elected or re-elected. Further, any director appointed by the Board as an additional Board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. Those directors subject to retirement and re-election at the forthcoming 2014 AGM are Messrs. Lu Wing Chi, Lincoln Lu and Leung Hok Lim whose particulars are set out on pages 8 to 11 of this annual report and a circular dated 28 April 2014.

Meetings

The Board conducts meetings on a regular basis with at least 14 days' notice and on an ad hoc basis with reasonable notice that are required for significant and important issues. Before each Board and committee meetings, relevant agendas and documents with appropriate information are sent to directors who are consulted for including matters in the agendas. The Board held four Board meetings during the year to, amongst other matters, approve the 2012 final results and 2013 interim results respectively and consider financial and operating performances of the Company. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

Corporate Governance Report

Relationship

Of the directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu and a cousin of Mr. Lu Wing Yuk, Andrew who is an uncle of Messrs. Lincoln Lu and Lambert Lu. Other than these, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced Board collectively responsible for the Company's activities and affairs. Throughout the year ended 31 December 2013, half of the Board members were executive directors and the other half were non-executive directors (including INEDs) whose views carry significant weight in the Board's decisions. The Board members have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

Training and Insurance for Directors

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. An in-house training session conducted by solicitors' firm was organised by the Company for the year 2013 as part of the continuous professional development for its directors to update them on the latest developments regarding the Listing Rules and applicable regulatory requirements in discharging their duties.

During the year, directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties.

A summary of training participated by the directors during the year ended 31 December 2013 is as follows:

| Directors | Attend seminars and/or reading materials in relation to updates on laws, rules and regulations | Reading regulatory updates and information relevant to the Group or its business |
|-------------------------------|--|--|
| <i>Executive Directors</i> | | |
| Mr. Lu Wing Chi | ✓ | ✓ |
| Mr. Lu Wing Yuk, Andrew | ✓ | ✓ |
| Mr. Lincoln Lu | ✓ | ✓ |
| Mr. Lambert Lu | ✓ | ✓ |
| <i>Non-executive Director</i> | | |
| Mr. Lam Sing Tai | ✓ | ✓ |
| <i>INEDs</i> | | |
| Mr. Walujo Santoso, Wally | ✓ | ✓ |
| Mr. Leung Hok Lim | ✓ | ✓ |
| Mr. Chung Pui Lam | ✓ | ✓ |

The Company has also arranged for appropriate liability insurance for the directors for indemnifying their liabilities arising out of corporate activities.

Corporate Governance Report

Non-executive Directors

The non-executive directors (including INEDs) of the Company serve the relevant function of bringing independent judgement and valuable guidance and advice on the development, performance and risk management of the Group.

Independent Non-executive Directors

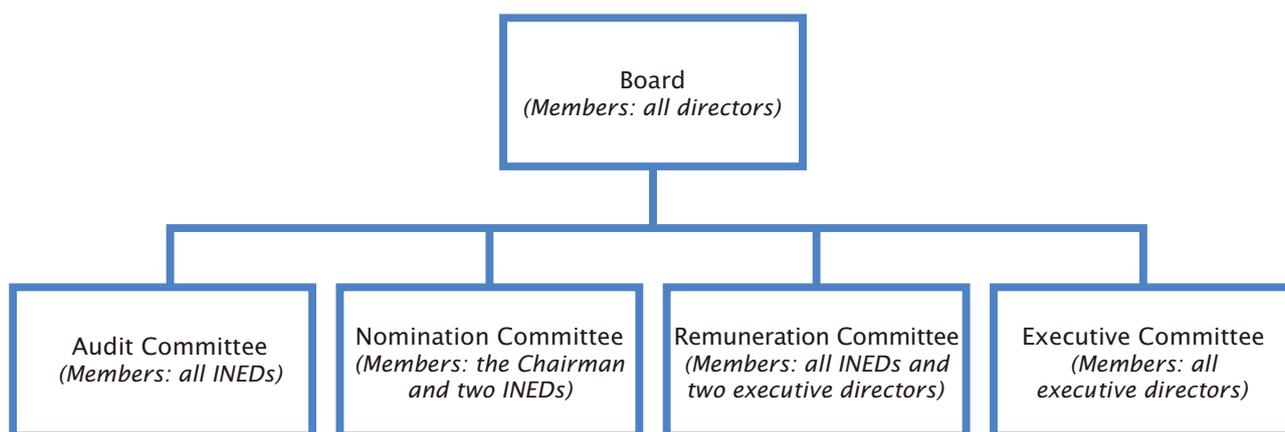
The Board consists of a total of eight directors, comprising four executive directors, one non-executive director and three INEDs. More than one-third of the Board are INEDs of which at least an INED possessing appropriate professional qualifications or accounting or related financial management expertise.

The three INEDs come from diverse business and professional backgrounds in the fields of international trading, accounting and laws, rendering valuable expertise and experience to promote the best interests of the Company and its shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner. All of them serve on the Audit and Remuneration Committees and two of them serve on the Nomination Committee of the Company.

The Company has received from each of the INEDs an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INEDs are independent since their appointment.

Delegation — Board Committees

The Board has properly delegated its powers and established several Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



Corporate Governance Report

Audit Committee

Composition

The Audit Committee was established in 1999. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Company and HKEx. The Audit Committee currently comprises of three members and all of them are INEDs, namely:

Mr. Leung Hok Lim (*Chairman*)

Mr. Walujo Santoso, Wally

Mr. Chung Pui Lam

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and the effectiveness of the audit process in accordance with applicable standards as well as to maintain an appropriate relationship with the independent external auditor of the Company.

During the year ended 31 December 2013, the Audit Committee met twice with the representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

- (i) the accounting principles and policies adopted by the Group;
- (ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2012;
- (iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2013;
- (iv) any significant findings by the independent auditor during the financial audit and other audit issues;
- (v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and
- (vi) the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

It also recommended to the Board for the re-appointment of the independent auditor and reviewed the relevant audit fees. In March 2014, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the audited consolidated financial statements of the Company for the year ended 31 December 2013 and was of the opinion that such financial statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.

Corporate Governance Report

Nomination Committee

Composition

The Nomination Committee was established in 2012. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Company and HKEx. The Nomination Committee currently comprises of three members including the Chairman of the Board and two INEDs, namely:

Mr. Lu Wing Chi (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Role and Function

The principal role of the Nomination Committee includes, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company and assess the independence of INEDs taking into account the independence requirements set out in Rule 3.13 of the Listing Rules.

The Nomination Committee held one meeting in the year under review and a meeting in March 2014 to review the structure, size and composition of the Board, assess the independence of INEDs and make recommendations in relation to the re-appointment of retiring directors at annual general meetings.

Remuneration Committee

Composition

The Remuneration Committee was established in 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Company and HKEx. The Remuneration Committee currently comprises of five members including the Chairman of the Board, one executive director and three INEDs, namely:

Mr. Chung Pui Lam (*Chairman*)
Mr. Lu Wing Chi
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Corporate Governance Report

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the executive and non-executive directors and ensuring that no director will be involved in deciding his own remuneration. The Remuneration Committee has adopted the operation model where it determines the remuneration packages of individual executive directors and makes recommendations to the Board on the remuneration packages of individual non-executive directors.

In determining the directors' emoluments, the Remuneration Committee takes into consideration factors such as the qualifications, experience, time commitment, responsibilities, performance, contribution and remuneration of the directors for previous years, the Company's profitability, emoluments paid by comparable companies and employment conditions elsewhere in the Group.

At the 2005 AGM, the shareholders of the Company have passed an ordinary resolution to authorise the directors to fix the directors' fees for an aggregate amount not exceeding HK\$1.0 million per annum. During the year, the Remuneration Committee met twice for the purposes of determining matters relating to the remuneration packages and emoluments of executive directors as well as making recommendation to the Board on the remuneration packages and emoluments of non-executive directors.

In March 2014, the Remuneration Committee held a meeting to review, determine or make recommendation to the Board on the bonus of the directors for the year ended 31 December 2013 as well as their director's fees for the current year.

Details of the directors' remuneration for the year ended 31 December 2013 is set out in note 14 to the consolidated financial statements.

Executive Committee

Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman of the Board and all other executive directors, namely:

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lincoln Lu

Mr. Lambert Lu

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

Corporate Governance Report

Attendance Record at Meetings

The attendance record of each director at Board meetings, Audit Committee meetings, Nomination Committee meeting and Remuneration Committee meetings during the year are set out in the following table:

| Directors | Number of meetings attended/ Number of meetings held | | | |
|-------------------------------|---|--------------------|-------------------------|---------------------------|
| | Board | Audit Committee | Nomination Committee | Remuneration Committee |
| <i>Executive Directors</i> | | | | |
| Mr. Lu Wing Chi | 4/4 | — | 1/1 | 2/2 |
| Mr. Lu Wing Yuk, Andrew | 4/4 | — | — | — |
| Mr. Lincoln Lu | 4/4 | — | — | — |
| Mr. Lambert Lu | 4/4 | — | — | 2/2 |
| <i>Non-executive Director</i> | | | | |
| Mr. Lam Sing Tai | 4/4 | — | — | — |
| <i>INEDs</i> | | | | |
| Mr. Walujo Santoso, Wally | 3/4 | 2/2 | 1/1 | 1/2 |
| Mr. Leung Hok Lim | 4/4 | 2/2 | 1/1 | 2/2 |
| Mr. Chung Pui Lam | 4/4 | 2/2 | — | 2/2 |

Securities Transactions by Directors and Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

In response to the specific enquiry made on them by the Company, all the directors of the Company have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2013.

Directors’ interests in shares and underlying shares in the Company are contained in the section headed “Directors’ Report” on pages 35 to 37 and page 40.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the directors of the Company) (the “Relevant Employees”) to regulate their dealings in the listed shares of the Company and Asian Growth Properties Limited (“AGP”), a subsidiary of the Company, as the Relevant Employees are likely to be in possession of inside information in relation to such shares because of their office or employment.

Corporate Governance Report

Directors' Responsibility for Preparing Financial Statements

The directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the section headed "Independent Auditor's Report" on page 45. In doing so, the directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the Accounting and Finance Department, the directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

In addition, the directors ensure timely publication of the financial statements of the Group.

Independent Auditor's Reporting Responsibility

The statement of Messrs. Deloitte Touche Tohmatsu ("DTT"), Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on page 45. Representatives of DTT also attend the AGMs to answer questions which shareholders may have.

Independent Auditor's Remuneration

At the AGM held on 31 May 2013, DTT were re-appointed by the shareholders as independent auditor of the Company at a fee to be agreed by the Board. The total fees paid/payable to DTT and its affiliated firms in respect of the audit and non-audit services provided during the year ended 31 December 2013 is set out as follows:

| | HK\$'000 |
|---|--------------|
| Audit services | 4,155 |
| Non-audit services (reviewing and other reporting services) | 820 |
| Total | 4,975 |

In addition, fees for the audit of the financial statements of certain members of the Group for the year under review conducted by other auditors amounted to about HK\$342,000.

Going Concern

The directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

Internal Control

The Board has overall responsibility for the Group's system of internal control and the assessment and management of risks. The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the executive directors of operational and financial reports provided by the management, regular business meetings between the executive directors and the core management team and periodic review of the Group's financial results by the Board.

The Board and the Audit Committee continue to review the effectiveness and adequacy of the Group's system of internal control which includes financial, operational and compliance mechanisms and risk management functions in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by independent external auditor during statutory audit.

The Board and the Audit Committee make endeavours to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Communication with Shareholders

The Board has adopted shareholders' communication policy with the objective of ensuring that its communications with the shareholders are timely, transparent, accurate and open. Information of the Company is disseminated to the shareholders through a number of channels as follows:

- (i) corporate communication such as annual reports, interim reports and circulars are issued in printed form and are available on the websites of the Company and HKEx;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and HKEx;
- (iii) corporate information is made available on the Company's website;
- (iv) AGMs and special general meetings provide a forum for shareholders to make comments and exchange views with the directors and senior management; and
- (v) the Company's Hong Kong branch share registrars serve the shareholders in respect of share registration and related matters.

Separate resolutions are proposed at general meetings on each substantial issue including the election of individual directors.

At the Company's last AGM held on 31 May 2013, all the resolutions relating to ordinary businesses and special businesses proposed thereat were passed. The forthcoming 2014 AGM will be held in Hong Kong on 30 May 2014 and for details, shareholders may refer to the circular containing the notice of such AGM which accompanies this annual report.

Corporate Governance Report

Constitutional Documents

The constitutional documents of the Company can be found on the websites of the Company and HKEx and there is no change in the constitutional documents during the year.

Shareholders' Rights

Convening Special General Meeting ("SGM")

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a SGM of the Company. The purposes of the meeting must be stated in the related requisition and deposited at the Company's registered office and principal place of business in Hong Kong. If the directors of the Company do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at general meetings

Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting or not less than one hundred shareholders can submit a written request to move a resolution at a general meeting. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and deposited at the Company's registered office and principal place of business in Hong Kong not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 2828 6363 during normal business hours, by fax at (852) 2598 6861, by e-mail at info@seagroup.com.hk or by post at 26/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

Looking Forward

The above corporate governance practices will be monitored, reviewed, amended and revoked from time to time as considered necessary by the Board. The Company will take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CG Code at all times.

Directors' Report

The directors of the Company have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Principal Activities

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were investment holding, hotel operation, property and asset management as well as property investment and development in Hong Kong, Mainland China and Australia.

Other particulars of the principal subsidiaries of the Company as at 31 December 2013 are set out in note 43 to the consolidated financial statements.

Segmental Analysis of Operations

An analysis of the Group's performance for the year by reportable segments is set out in note 6 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 46 and 47 respectively.

The state of affairs of the Group as at 31 December 2013 is set out in the consolidated statement of financial position on pages 48 and 49.

A review of the Group's operations and development is included in the section headed "Chairman's Statement" on pages 12 to 18.

Dividends

An interim dividend of HK5 cents per share (2012: HK5 cents) amounting to HK\$33.6 million (2012: HK\$33.6 million) was paid to the shareholders during the year. The Board has resolved to recommend for shareholders' approval at the forthcoming 2014 AGM the payment of a final dividend of HK6 cents per share for the year under review (2012: HK6 cents), amounting to HK\$40.5 million (2012: HK\$40.3 million), to the shareholders whose names appear on the register of members at the close of business on Wednesday, 11 June 2014. The relevant dividend warrants are expected to be despatched on or before Monday, 23 June 2014.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements. Certain shares were issued on exercise of share options granted during the year.

Directors' Report

Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 50 and the Company's reserves available for distribution to shareholders as at 31 December 2013 were as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------|------------------|------------------|
| Contributed surplus | 190,081 | 190,081 |
| Retained profits | 1,110,638 | 1,189,730 |
| | 1,300,719 | 1,379,811 |

Under the Companies Act 1981 of Bermuda (as amended), the amount of the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if after the payment:

- (i) it is or would be unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than its liabilities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Investment Properties

All the investment properties of the Group were revalued at 31 December 2013. The net increase in fair value of investment properties amounting to HK\$277.2 million (2012: HK\$1,300.3 million) has been credited directly to the consolidated statement of profit or loss.

Details of the movements during the year in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

Properties

Details of the properties of the Group held for investment and sale purposes and under development at 31 December 2013 are set out in the section headed "Property Portfolio" on pages 4 and 5.

Directors' Report

Directors

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

Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lincoln Lu

Mr. Lambert Lu

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the CG Code set out in Appendix 14 to the Listing Rules, Messrs. Lu Wing Chi, Lincoln Lu and Leung Hok Lim will retire as directors by rotation and, being eligible, offer themselves for re-election at the forthcoming 2014 AGM.

All other directors shall continue in office.

Directors' Biographical Particulars

Biographical particulars of the present directors are set out on pages 8 to 11 of this annual report.

Further particulars of the directors to be re-elected at the 2014 AGM are set out in the circular to the shareholders sent together with this annual report.

Directors' Service Contracts

None of the directors of the Company proposed for re-election at the forthcoming 2014 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

Particulars of the emoluments of directors on a named basis for the year are set out in note 14 to the consolidated financial statements.

Directors' Interests in Contracts of Significance

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

Directors' Report

Arrangements for Directors to Acquire Shares and Debentures

Other than the share options as described in details in the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the following directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such directors have been appointed to represent the interests of the Company and/or other members of the Group:

- (i) Mr. Lu Wing Chi, Chairman and Managing Director has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (ii) Mr. Lu Wing Yuk, Andrew, Executive Director has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (iii) Messrs. Lincoln Lu and Lambert Lu, both Executive Directors are the sons of Mr. Lu Wing Chi. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi is deemed interested. Messrs. Lincoln Lu and Lambert Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

However, the Board presently comprises eight members including one non-executive director and three INEDs whose views carry significant weight in the board's decisions. Fundamentally, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

Directors' Report

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2013, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

1. Long positions in shares of the Company

| Name of directors | Number of shares of HK\$0.1 each | | | Number of underlying shares held under equity derivatives | | Approximate % of interest in the issued share capital |
|-----------------------|---|--|--|---|-----------------|---|
| | Personal interests (held as beneficial owner) | Corporate interests (held by controlled corporation) | Family interests (interests of spouse) | Personal interests (held as beneficial owner) | Total interests | |
| Lu Wing Chi | 9,917,285 | 410,706,754 ⁽ⁱ⁾ | — | 6,690,000 | 427,314,039 | 63.55 |
| Lu Wing Yuk, Andrew | 666,000 | — | — | 1,338,000 | 2,004,000 | 0.30 |
| Lincoln Lu | 8,690,002 | — | — | 6,690,000 | 15,380,002 | 2.29 |
| Lambert Lu | 3,348,002 | — | — | 6,690,000 | 10,038,002 | 1.49 |
| Lam Sing Tai | 1,237,739 | — | 5,739 | 6,690,000 | 7,933,478 | 1.18 |
| Walujo Santoso, Wally | 334,000 | — | — | 666,000 | 1,000,000 | 0.15 |
| Leung Hok Lim | 990,928 | — | — | 666,000 | 1,656,928 | 0.25 |
| Chung Pui Lam | 990,928 | — | — | 666,000 | 1,656,928 | 0.25 |

Notes:

- (i) These shares are beneficially held by Nan Luen International Limited ("NLI"), which is 63.58% owned by JCS Limited ("JCS"), and by virtue of Mr. Lu Wing Chi's interest in JCS (as disclosed in paragraph 2(a) below), he is deemed to be interested in these shares.
- (ii) The interests in underlying shares held under equity derivatives represented interests in share options granted to the directors under the share option scheme of the Company. Particulars of which are contained under the section of "Share Option Schemes" below.
- (iii) The total number of issued shares of the Company as at 31 December 2013 was 672,371,726 shares.

Directors' Report

2. Long positions in shares of associated corporations

(a) JCS — ultimate holding company of the Company

| Name of directors | Number of shares of HK\$100.0 each | | Approximate % of interest in the issued share capital |
|-------------------|--|--|---|
| | Personal interests (held as beneficial owner) | | |
| Lu Wing Chi | 22,080 | | 48.00 |
| Lincoln Lu | 9,660 | | 21.00 |
| Lambert Lu | 9,660 | | 21.00 |

(b) NLI — immediate holding company of the Company

| Name of directors | Number of shares of HK\$100.0 each | | | Approximate % of interest in the issued share capital |
|-------------------|---|--|-----------------|---|
| | Personal interests (held as beneficial owner) | Corporate interests (held by controlled corporation) | Total interests | |
| Lu Wing Chi | 46,938 | 99,480 ^(Note) | 146,418 | 93.58 |
| Lincoln Lu | 5,021 | — | 5,021 | 3.21 |
| Lambert Lu | 5,021 | — | 5,021 | 3.21 |

Note:

These shares are beneficially held by JCS and by virtue of Mr. Lu Wing Chi's interest in JCS (as disclosed in paragraph 2(a) above), he is deemed to be interested in these shares.

Saved as disclosed herein, as at 31 December 2013, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2013, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

| Name of shareholders | Number of shares of HK\$0.1 each | | Approximate % of interest in the issued share capital |
|----------------------|----------------------------------|--------------------------------|---|
| | Held as beneficial owner | Held by controlled corporation | |
| JCS | — | 410,706,754 | 61.08 |
| NLI | 410,706,754 | — | 61.08 |

Notes:

1. JCS holds about 63.58% of the issued shares in NLI. The above 410,706,754 shares held by NLI are also deemed to be JCS's interest and such shares are, therefore, duplicated between these two shareholders for the purpose of the SFO.
2. Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all being directors of the Company, are also directors of JCS and NLI.

Saved as disclosed herein, as at 31 December 2013, none of the substantial shareholders and other persons (other than directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' Report

Share Option Schemes

The Company

The Company adopted an employee share option scheme (the "SEA Share Option Scheme") on 25 August 2005. A summary of the principal terms of the SEA Share Option Scheme is set out below:

1. Purpose: To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the SEA Share Option Scheme).
2. Participants: Eligible participants include any director or full-time employee of any member of the Group.
3. Total number of shares available for issue under the SEA Share Option Scheme and percentage of the issued share capital that it represents as at the date of this annual report:

The original maximum number of shares which could be issued upon exercise of all options granted or to be granted under the SEA Share Option Scheme was 53,066,578 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 19 August 2005.

The Scheme Mandate Limit was refreshed and increased to 64,242,651 shares, representing approximately 10% of the shares of the Company in issue as at 10 June 2009, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the refreshment of the Scheme Mandate Limit.

The Scheme Mandate Limit was further refreshed and increased to 67,377,365 shares, representing approximately 10% of the shares of the Company in issue as at 27 May 2010, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the further refreshment of the Scheme Mandate Limit.

As at 27 March 2014, a total of 22,001,365 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the SEA Share Option Scheme, which represented approximately 3.26% of the issued share capital of the Company on that date.

Directors' Report

4. Maximum entitlement of each participant: Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company then in issue.
- In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or its subsidiaries or any of their respective associates, and where the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the shares of the Company then in issue and with an aggregate value in excess of HK\$5 million, then the proposed grant is also subject to the approval of shareholders of the Company in general meeting.
5. Period within which the shares must be taken up under an option: The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6. Minimum period for which an option must be held before it can vest: As determined by the Board.
7. Amount payable on acceptance of an option and the period within which payments shall be made: HK\$10 is payable to the Company upon acceptance of the option which must be taken up within 28 days from the date of offer.
8. Basis of determining the exercise price: The exercise price is determined by the Board which must be at least the highest of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.
9. Remaining life of the SEA Share Option Scheme: Valid and effective for a term of ten years from the date of adoption until 24 August 2015.

Directors' Report

The following table shows the movements in share options under the SEA Share Option Scheme during the year ended 31 December 2013 and the options outstanding at the beginning and end of the year:

| Name | Date of grant | Exercise price per share (HK\$) | Exercise period | Number of underlying shares comprised in share options | | | |
|--|---------------|---------------------------------|--------------------------|--|---------------------------|------------------------|-------------------|
| | | | | As at 01.01.2013 | Exercised during the year | Lapsed during the year | As at 31.12.2013 |
| Directors | | | | | | | |
| Lu Wing Chi | 12.07.2012 | 3.454 | (i) | 6,690,000 | — | — | 6,690,000 |
| Lu Wing Yuk, Andrew | 12.07.2012 | 3.454 | (i) | 1,338,000 | — | — | 1,338,000 |
| Lincoln Lu | 12.07.2012 | 3.454 | (i) | 6,690,000 | — | — | 6,690,000 |
| Lambert Lu | 12.07.2012 | 3.454 | (i) | 6,690,000 | — | — | 6,690,000 |
| Lam Sing Tai | 12.07.2012 | 3.454 | (i) | 6,690,000 | — | — | 6,690,000 |
| Walujo Santoso, Wally | 12.07.2012 | 3.454 | (i) | 666,000 | — | — | 666,000 |
| Leung Hok Lim | 12.07.2012 | 3.454 | (i) | 666,000 | — | — | 666,000 |
| Chung Pui Lam | 12.07.2012 | 3.454 | (i) | 666,000 | — | — | 666,000 |
| Sub-Total | | | | 30,096,000 | — | — | 30,096,000 |
| Other eligible employees in aggregate | | | | | | | |
| | 31.12.2008 | 2.262 | 31.12.2012 to 30.12.2014 | 350,000 | (350,000) | — | — |
| | | | 30.06.2013 to 29.06.2015 | 700,000 | (400,000) | (300,000) | — |
| | 12.07.2012 | 3.454 | 12.07.2012 to 30.06.2014 | 100,000 | — | — | 100,000 |
| | | | 01.01.2013 to 31.12.2014 | 340,000 | (340,000) | — | — |
| | | | 01.07.2013 to 30.06.2015 | 1,630,000 | — | — | 1,630,000 |
| | | | 01.01.2014 to 31.12.2015 | 2,650,000 | — | — | 2,650,000 |
| | | | 01.07.2014 to 30.06.2016 | 2,850,000 | — | (450,000) | 2,400,000 |
| | | | 01.01.2015 to 31.12.2016 | 1,870,000 | — | (270,000) | 1,600,000 |
| | | | 01.07.2015 to 30.06.2017 | 7,620,000 | — | (660,000) | 6,960,000 |
| Sub-Total | | | | 18,110,000 | (1,090,000) | (1,680,000) | 15,340,000 |
| Total | | | | 48,206,000 | (1,090,000) | (1,680,000) | 45,436,000 |

Notes:

- (i) One-third of the share options are exercisable during the period from 1 July 2013 to 30 June 2015, a further one-third of the share options are exercisable during the period from 1 July 2014 to 30 June 2016 and the remaining one-third of the share options are exercisable during the period from 1 July 2015 to 30 June 2017.
- (ii) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (iii) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by other eligible employees was HK\$5.464 per share.
- (iv) No share options had been granted or cancelled under the SEA Share Option Scheme for the year ended 31 December 2013.

Directors' Report

AGP

AGP, a 97.17%-owned subsidiary of the Company, also adopted a share option scheme (the "AGP Share Option Scheme") in 2010. A summary of the principal terms of the AGP Share Option Scheme is set out as follows:

- 1. Purpose:** To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the AGP Share Option Scheme).
- 2. Participants:** Eligible participants include any (i) director or employee of AGP or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by AGP or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of AGP or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of AGP or any of its affiliate.
- 3. Total number of shares of AGP available for issue under the AGP Share Option Scheme and percentage of the issued share capital of AGP that it represents as at the date of this annual report:** The maximum number of the shares of AGP which could be issued upon exercise of all options granted or to be granted under the AGP Share Option Scheme was 88,634,781 shares, representing approximately 10% of the shares of AGP in issue as at the date of this annual report.
- 4. Maximum entitlement of each participant:** Unless approved by shareholders of the Company, the total number of shares of AGP issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of AGP then in issue.

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates, and where the total number of shares of AGP issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the shares of AGP then in issue and with an aggregate value in excess of HK\$5 million (or its equivalent amount in British Pound), then the proposed grant is subject to the approval of shareholders of the Company in general meeting.
- 5. Period within which the shares of AGP must be taken up under an option:** The period during which an option may be exercised is determined by the board of directors of AGP (the "AGP Board") (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

Directors' Report

- | | | |
|----|---|--|
| 6. | Minimum period for which an option must be held before it can vest: | As determined by the AGP Board. |
| 7. | Amount payable on acceptance of an option and the period within which payments shall be made: | HK\$10 (or its equivalent amount in British Pound or United States dollar) is payable to AGP upon acceptance of the option which must be taken up within 28 days from the date of offer. |
| 8. | Basis of determining the exercise price: | The exercise price is determined by the AGP Board (or any committee delegated by the AGP Board) which must be at least the highest of (i) the closing price of the share of AGP on the AIM Market of London Stock Exchange plc on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market on the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP. |
| 9. | Remaining life of the AGP Share Option Scheme: | Valid and effective for a term of ten years from the date of adoption until 15 August 2020. |

No option was granted by AGP since the commencement of the AGP Share Option Scheme on 16 August 2010.

Share Award Schemes

The Company

A share award scheme of the Company (the "SEA Share Award Scheme") was approved by the shareholders of the Company at the special general meeting held on 27 May 2010. The SEA Share Award Scheme commenced on 15 June 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and are listed on the Stock Exchange; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

No award was granted by the Company under the SEA Share Award Scheme during the year ended 31 December 2013.

Directors' Report

AGP

A share award scheme of AGP (the "AGP Share Award Scheme") was approved by the shareholders of the Company on 27 May 2010 and by the AGP Board on 28 May 2010. The AGP Share Award Scheme commenced on 16 August 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and are listed on the AIM Market; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted by AGP since the commencement of the AGP Share Award Scheme on 16 August 2010.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2013.

Major Suppliers and Major Customers

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 20% of the Group's total purchases and sales respectively.

Corporate Governance

The Company is committed to maintain a high corporate governance standards so as to ensure better transparency and protection of shareholders' interests. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 19 to 30.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the issued shares in the Company was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this annual report.

Directors' Report

Charitable Donations

During the year, the Group made charitable donations amounting to about HK\$465,000 (2012: HK\$171,000).

Five-Year Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Highlights" on page 2.

Review by Audit Committee

The audit committee comprises three members, namely Messrs. Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all being INEDs of the Company. The audit committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2013.

Independent Auditor

The consolidated financial statements of the Company for the year under review have been audited by DTT, who will retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint DTT as independent auditor of the Company for the ensuing year will be put to the forthcoming 2014 AGM for shareholders' approval.

On behalf of the Board



Lu Wing Chi
Chairman and Managing Director

Hong Kong, 27 March 2014

Independent Auditor's Report



TO THE SHAREHOLDERS OF S E A HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 112, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

| | NOTES | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-------|------------------|------------------|
| Revenue | 7 | 884,184 | 607,274 |
| Interest income | | 29,123 | 24,334 |
| Other income | 8 | 25,113 | 21,048 |
| Costs: | | | |
| Property and related costs | 9 | (155,029) | (74,518) |
| Staff costs | | (177,393) | (238,947) |
| Depreciation and amortisation | | (83,029) | (83,899) |
| Other expenses | 10 | (158,247) | (202,778) |
| | | (573,698) | (600,142) |
| Profit from operations before fair value changes on properties | | 364,722 | 52,514 |
| Fair value changes on investment properties | | 277,219 | 1,300,282 |
| Profit from operations after fair value changes on properties | | 641,941 | 1,352,796 |
| Share of results of associates | | 27,886 | 2,510 |
| Gain on disposal of assets classified as held for sale | | 21,640 | — |
| Share of results of joint ventures | | — | (2,667) |
| Finance costs | 11 | (91,159) | (92,526) |
| Profit before taxation | 12 | 600,308 | 1,260,113 |
| Income tax expense | 13 | (75,474) | (87,064) |
| Profit for the year | | 524,834 | 1,173,049 |
| Attributable to: | | | |
| Company's shareholders | | 510,090 | 1,161,289 |
| Non-controlling interests | | 14,744 | 11,760 |
| | | 524,834 | 1,173,049 |
| | | HK cents | HK cents |
| Earnings per share for profit attributable to the Company's shareholders | 17 | | |
| Basic | | 75.9 | 174.0 |
| Diluted | | 74.6 | 172.9 |
| <i>Earnings (loss) per share excluding fair value changes on investment properties net of deferred tax</i> | 17 | | |
| Basic | | 38.6 | (6.1) |
| Diluted | | 37.9 | (6.1) |

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Profit for the year | 524,834 | 1,173,049 |
| Other comprehensive income | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Revaluation increase upon reclassification of property, plant and equipment to investment properties | 3,801 | — |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | |
| Exchange differences arising on translation of foreign operations | 108,291 | 4,016 |
| Release of translation reserve upon disposal of assets classified as held for sale | (2,480) | — |
| Share of exchange differences of joint ventures | — | (250) |
| Share of exchange differences of associates | (417) | 635 |
| | 105,394 | 4,401 |
| | 109,195 | 4,401 |
| Total comprehensive income for the year | 634,029 | 1,177,450 |
| Total comprehensive income attributable to: | | |
| Company's shareholders | 614,325 | 1,172,415 |
| Non-controlling interests | 19,704 | 5,035 |
| | 634,029 | 1,177,450 |

Consolidated Statement of Financial Position

At 31 December 2013

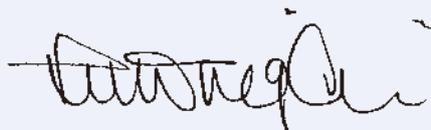
| | NOTES | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-------|-------------------|-------------------|
| Non-current assets | | | |
| Investment properties | 18 | 9,952,179 | 9,612,715 |
| Property, plant and equipment | 19 | 1,025,066 | 1,081,675 |
| Properties for development | 20 | 1,350,813 | 1,292,243 |
| Club memberships | 21 | 8,574 | 8,574 |
| Interests in associates | 22 | — | 13,191 |
| Loans receivable | 23 | 7,072 | 9,396 |
| Note receivables | 24 | 54,279 | 15,510 |
| Other receivable | 25 | 384,794 | 365,800 |
| Pledged bank deposits | 26 | — | 58,750 |
| Restricted bank deposits | 26 | 6,360 | — |
| | | 12,789,137 | 12,457,854 |
| Current assets | | | |
| Properties held for sale | 27 | | |
| Completed properties | | 219,277 | 314,748 |
| Properties under development | | 959,091 | 733,991 |
| Other inventories | | 1,119 | 935 |
| Loans receivable | 23 | 463 | 642 |
| Trade receivables, deposits and prepayments | 28 | 126,946 | 118,242 |
| Tax recoverable | | 3,542 | 3,014 |
| Amounts due from non-controlling interests | 29 | 265 | 1,270 |
| Bank balances and cash | 30 | 2,150,101 | 1,644,905 |
| | | 3,460,804 | 2,817,747 |
| Assets classified as held for sale | 31 | — | 42,090 |
| | | 3,460,804 | 2,859,837 |
| Current liabilities | | | |
| Payables, deposits and accrued charges | 32 | 323,028 | 357,590 |
| Tax liabilities | | 133,403 | 109,882 |
| Amounts due to non-controlling interests | 29 | 96,985 | 211,404 |
| Bank borrowings — due within one year | 33 | 1,499,192 | 409,367 |
| Derivative financial instrument | 34 | 1,132 | — |
| | | 2,053,740 | 1,088,243 |
| Net current assets | | 1,407,064 | 1,771,594 |
| Total assets less current liabilities | | 14,196,201 | 14,229,448 |

Consolidated Statement of Financial Position

At 31 December 2013

| | NOTES | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------|-------------------|-------------------|
| Capital and reserves | | | |
| Share capital | 35 | 67,237 | 67,129 |
| Reserves | | 11,483,916 | 10,902,667 |
| Equity attributable to the Company's shareholders | | 11,551,153 | 10,969,796 |
| Non-controlling interests | | 410,287 | 302,166 |
| Total equity | | 11,961,440 | 11,271,962 |
| Non-current liabilities | | | |
| Bank borrowings — due after one year | 33 | 1,722,108 | 2,472,794 |
| Derivative financial instrument | 34 | — | 2,158 |
| Deferred taxation | 36 | 512,653 | 482,534 |
| | | 2,234,761 | 2,957,486 |
| | | 14,196,201 | 14,229,448 |

The consolidated financial statements on pages 46 to 112 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:



Lu Wing Chi
Chairman and Managing Director



Lambert Lu
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

| | Attributable to the Company's shareholders | | | | | | | | | | | | |
|--|--|---------------------------|---------------------------------|---------------------------------|--|---|---|---|----------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Translation reserve HK\$'000 | Capital redemption reserve HK\$'000 | Shares on trust for awardees under share award scheme HK\$'000 | Share options/ award reserve HK\$'000 | Property revaluation reserves HK\$'000 | Other reserves HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1 January 2012 | 66,919 | 349,690 | 277,707 | 499,615 | 4,451 | — | 886 | 1,428 | (391) | 8,689,364 | 9,889,669 | 302,036 | 10,191,705 |
| Profit for the year | — | — | — | — | — | — | — | — | — | 1,161,289 | 1,161,289 | 11,760 | 1,173,049 |
| Exchange differences arising on translation of foreign operations | — | — | — | 10,734 | — | — | — | — | — | — | 10,734 | (6,718) | 4,016 |
| Share of translation differences of joint ventures | — | — | — | (243) | — | — | — | — | — | — | (243) | (7) | (250) |
| Share of translation differences of associates | — | — | — | 635 | — | — | — | — | — | — | 635 | — | 635 |
| Other comprehensive income (expense) for the year | — | — | — | 11,126 | — | — | — | — | — | — | 11,126 | (6,725) | 4,401 |
| Total comprehensive income for the year | — | — | — | 11,126 | — | — | — | — | — | 1,161,289 | 1,172,415 | 5,035 | 1,177,450 |
| Recognition of equity-settled share-based payments | — | — | — | — | — | — | — | — | — | — | — | — | — |
| — share awards | — | — | — | — | — | — | 51,970 | — | — | — | 51,970 | — | 51,970 |
| — share options | — | — | — | — | — | — | 8,160 | — | — | — | 8,160 | — | 8,160 |
| Purchase of shares under share award scheme | — | — | — | — | — | (83,558) | — | — | — | — | (83,558) | — | (83,558) |
| Shares transferred to participants under share award scheme | — | — | — | — | — | 83,558 | (51,970) | — | — | (31,588) | — | — | — |
| Shares issued upon exercise of share options | 210 | 5,326 | — | — | — | — | (666) | — | — | — | 4,870 | — | 4,870 |
| Dividends paid | — | — | — | — | — | — | — | — | — | (73,730) | (73,730) | — | (73,730) |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | — | (4,905) | (4,905) |
| At 31 December 2012 | 67,129 | 355,016 | 277,707 | 510,741 | 4,451 | — | 8,380 | 1,428 | (391) | 9,745,335 | 10,969,796 | 302,166 | 11,271,962 |
| Profit for the year | — | — | — | — | — | — | — | — | — | 510,090 | 510,090 | 14,744 | 524,834 |
| Exchange differences arising on translation of foreign operations | — | — | — | 103,331 | — | — | — | — | — | — | 103,331 | 4,960 | 108,291 |
| Revaluation increase upon reclassification of property, plant and equipment to investment properties | — | — | — | — | — | — | — | 3,801 | — | — | 3,801 | — | 3,801 |
| Release of translation reserve upon disposal of assets classified as held for sale | — | — | — | (2,480) | — | — | — | — | — | — | (2,480) | — | (2,480) |
| Share of translation differences of associates | — | — | — | (417) | — | — | — | — | — | — | (417) | — | (417) |
| Other comprehensive income for the year | — | — | — | 100,434 | — | — | — | 3,801 | — | — | 104,235 | 4,960 | 109,195 |
| Total comprehensive income for the year | — | — | — | 100,434 | — | — | — | 3,801 | — | 510,090 | 614,325 | 19,704 | 634,029 |
| Recognition of equity-settled share-based payments | — | — | — | — | — | — | — | — | — | — | — | — | — |
| — share options | — | — | — | — | — | — | 12,487 | — | — | — | 12,487 | — | 12,487 |
| Shares issued upon exercise of share options | 108 | 3,174 | — | — | — | — | (412) | — | — | — | 2,870 | — | 2,870 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | 25,611 | — | 25,611 | (25,982) | (371) |
| Reversal of non-controlling interests upon disposal of subsidiaries | — | — | — | — | — | — | — | — | — | — | — | 116,965 | 116,965 |
| Dividends paid | — | — | — | — | — | — | — | — | — | (73,936) | (73,936) | — | (73,936) |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | — | (2,566) | (2,566) |
| At 31 December 2013 | 67,237 | 358,190 | 277,707 | 611,175 | 4,451 | — | 20,455 | 5,229 | 25,220 | 10,181,489 | 11,551,153 | 410,287 | 11,961,440 |

Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition pursuant to the group reorganisation in previous years.

Other reserves represent the excess of the consideration paid for acquisition of additional interest in subsidiaries from non-controlling interests over the carrying amount of non-controlling interests.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Operating activities | | |
| Profit before taxation | 600,308 | 1,260,113 |
| Adjustments for: | | |
| Interest expenses | 83,681 | 85,886 |
| Write-down of properties held for sale | — | 21,336 |
| Reversal of provision on relocation compensation | — | (5,089) |
| Depreciation and amortisation | 83,029 | 83,899 |
| Fair value changes on investment properties | (277,219) | (1,300,282) |
| Fair value changes on derivative financial instrument | (776) | 2,243 |
| Fair value adjustment on other receivable | (7,435) | 14,706 |
| Gain on disposal of assets classified as held for sale | (21,640) | — |
| Share of results of associates | (27,886) | (2,510) |
| Share of results of joint ventures | — | 2,667 |
| Interest income | (29,123) | (24,334) |
| Loss (gain) on disposal of property, plant and equipment | 42 | (53) |
| Share-based payment expenses | 12,487 | 60,130 |
| Operating cash flows before movements in working capital | 415,468 | 198,712 |
| Increase in properties held for sale | (38,959) | (75,797) |
| (Increase) decrease in other inventories | (184) | 84 |
| Decrease in trade receivables, deposits and prepayments | 61 | 20,574 |
| Increase in payables, deposits and accrued charges | 6,556 | 8,459 |
| Decrease in sales deposits | — | (601) |
| Cash generated from operations | 382,942 | 151,431 |
| Interest paid | (81,389) | (87,682) |
| Tax paid | (31,971) | (14,418) |
| Purchase of shares under share award scheme | — | (83,558) |
| Net cash from (used in) operating activities | 269,582 | (34,227) |

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Investing activities | | |
| Acquisition of and additional cost on properties for development | (125,038) | (25,417) |
| Interest received | 23,212 | 22,292 |
| Decrease in loans receivable | 2,503 | 7,851 |
| Increase in note receivables | (38,785) | (15,510) |
| Increase in bank deposits | (461,607) | (94,964) |
| Pledged bank deposits refunded | 59,295 | — |
| Bank deposits refunded | 36,999 | — |
| Purchase of property, plant and equipment | (11,388) | (4,349) |
| Additional costs of investment properties | (9,934) | (9,482) |
| Proceeds on disposals of property, plant and equipment | 162 | 288 |
| Net proceeds received on disposal of associates | 40,660 | — |
| Increase in other receivable | (7,459) | (11) |
| Consideration/deposit received on disposal of assets classified as held for sale | 21,250 | 40,000 |
| Net cash used in investing activities | (470,130) | (79,302) |
| Financing activities | | |
| Draw down of bank loans | 1,018,656 | 1,000,326 |
| Repayments of bank loans | (675,123) | (1,705,446) |
| Payment of front-end fee | (2,100) | — |
| Issue of new shares | 2,870 | 4,870 |
| Advance from non-controlling interests | 574 | 8,687 |
| Repayments from non-controlling interests | 1,005 | 114 |
| Acquisition of additional interest in a subsidiary | (371) | — |
| Dividends paid | (73,936) | (73,730) |
| Dividends paid to non-controlling interests | (2,566) | (4,905) |
| Net cash from (used in) financing activities | 269,009 | (770,084) |
| Net increase (decrease) in cash and cash equivalents | 68,461 | (883,613) |
| Cash and cash equivalents at beginning of the year | 1,607,906 | 2,485,688 |
| Effect of foreign exchange rate changes | 18,394 | 5,831 |
| Cash and cash equivalents at end of the year | 1,694,761 | 1,607,906 |
| Represented by: | | |
| Bank balance and cash | 2,150,101 | 1,644,905 |
| Less: fixed deposits with original maturity date more than 3 months | (455,340) | (36,999) |
| | 1,694,761 | 1,607,906 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Nan Luen International Limited and its ultimate holding company is JCS Limited. Both holding companies are incorporated in Bermuda as exempted companies with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43.

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

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

| | |
|---|--|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2009 — 2011 cycle |
| Amendments to HKFRS 7 | Disclosures — Offsetting financial assets and financial liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance |
| HKFRS 10 | Consolidated financial statements |
| HKFRS 11 | Joint arrangements |
| HKFRS 12 | Disclosure of interests in other entities |
| HKFRS 13 | Fair value measurement |
| HKAS 19 (as revised in 2011) | Employee benefits |
| HKAS 27 (as revised in 2011) | Separate financial statements |
| HKAS 28 (as revised in 2011) | Investments in associates and joint ventures |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income |
| HK (IFRIC) — Int 20 | Stripping costs in the production phase of a surface mine |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK (SIC) Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of parties to the joint arrangements. In contrast, under HKAS 31, there were three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

In addition, joint ventures under HKFRS 11 are required to account for using the equity method, whereas jointly controlled entities under HKAS 31 could be accounted for using the equity method of accounting or proportionate consolidation.

The directors of the Company reviewed and assessed the classification of the Group’s investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group’s joint arrangements, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and continue to be accounted for using the equity method up to the date the joint arrangements are classified as assets held for sale.

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 18 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

Amendments to HKAS 1 Presentation of items of other comprehensive income

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

New and revised HKFRSs issued but not yet effective

The directors of the Company expect that the application of the new and revised standards, amendments or interpretations that were issued but not yet effective will have no material impact on the results and financial position of the Group. However, those which may be relevant to the Group’s consolidated financial statements are disclosed as below.

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, the amendments which may be relevant to the Group are summarised below.

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

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

New and revised HKFRSs issued but not yet effective *(continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle *(continued)*

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group’s consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors expect that the application of HKFRS 9 will not have as significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the joint venture in accordance with HKAS 39 unless the retained interest continues to be a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in joint ventures above).

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidation statement of financial position under current liabilities.

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

Hotel operation and other service income are recognised when services are provided.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

Property, plant and equipment

Leasehold land and building held for use in the supply of services, or for administrative purpose and other property, plant and equipment other than crockery, utensils and linen are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred.

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

Properties under development

When buildings are in the course of development held for use in the supply of services or for administrative purposes, the amortisation of prepaid lease payments, where the leasehold land is classified as operating leases, provided during the construction period is included as part of the cost of the building under construction. Buildings under construction are carried at cost, less any identified impairment losses. Cost comprises development costs including attributable borrowing costs, prepaid lease payments and directly attributable costs capitalised during the development period. Depreciation of buildings commences when they are available for use (i.e. when they are in the condition necessary for them to be capable of operating in the manner intended by management).

When leasehold land is intended for sale in the ordinary course of business after completion of development, the leasehold land component is included within the carrying amount of the properties and is classified under current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties for development

Properties for development represents consideration and other direct costs for acquisition of leasehold interest in land held for future development.

Properties for development are stated at cost and amortised to profit or loss on a straight-line basis over the term of the relevant lease until the commencement of development, upon which the remaining carrying value of the properties will be transferred to the appropriate categories according to the management's intention of use of the properties after completion of development.

Inventories

Properties held for sale

Completed properties for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

Properties for or under development intended for sale after completion of development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less anticipated costs to completion of the development and costs to be incurred in marketing and selling the completed properties.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

Other inventories

Other inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as either loans and receivables or fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, note receivables, other receivable, trade receivable, amounts due from non-controlling interests, bank deposits and cash) are measured at amortised cost using the effective interest method, less any impairment.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Effective interest method

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

Interest income is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities including payables, amounts due to non-controlling interests and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

Club memberships

Club memberships are recognised at cost on initial recognition. Club memberships with indefinite useful lives are subsequently stated at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sales.

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted/shares awarded at the grant date is expensed immediately or on a straight-line basis over the vesting period, with a corresponding increase in share options reserve/share award reserve.

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

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

When trustee purchases the Company's shares from the open market for award to grantees under the share award scheme, the consideration paid, including any directly attributable costs, is deducted from equity and the shortage/excess of the cost of purchase over the fair value of the awarded shares is credited/debited to retained profits upon the relevant shares being transferred to the grantees.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have determined that the Group's investment properties situated in Hong Kong are held under a business model whose objective is to recover the value through sale rather than to consume substantially all of the economic benefits embodied in the investment properties over time, whereas those situated in the People's Republic of China ("PRC") and Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is not rebutted for properties situated in Hong Kong. As a result, the Group has not recognised any deferred taxes on changes in fair value of the Group's investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. The presumption that the carrying amounts of the Group's investment properties situated in the PRC and Australia are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules.

Key sources of estimation uncertainty

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

Income tax

No deferred tax asset has been recognised in respect of tax losses and deductible temporary differences of HK\$82,094,000 and HK\$1,360,000 (2012: HK\$655,552,000 and HK\$128,089,000) respectively as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

Impairment of property, plant and equipment

The Group performs a review annually to determine whether its hotel property with aggregate carrying amount of HK\$706,112,000 (2012: HK\$726,119,000) has any indication of impairment by considering the recoverable amount of the hotel building which has been determined based on value in use. The calculation of value in use requires an estimation of future profit generated from the hotel's operating cash flows discounted to arrive at the present value of the asset. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Fair value of investment properties

Investment properties with a carrying amount of HK\$9,952,179,000 (2012: HK\$9,612,715,000) are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain assumptions of market conditions. In relying on the valuation report or making their own valuation, the directors of the Company have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

Valuation of properties for development

The Group performs a review annually to determine whether properties for development with an aggregate carrying amount of HK\$1,350,813,000 (2012: HK\$1,292,243,000) has any indication of impairment by considering the recoverable amounts of the properties which has been determined based on the current market price of properties of comparable location. In case the recoverable amounts of the properties are less than the carrying amount, a material adjustment for an impairment loss may result.

Valuation of properties held for sale

Management's assessment of properties held for sale with an aggregate carrying amount of HK\$1,178,368,000 (2012: HK\$1,048,739,000) is based on an estimation of the net realisable value of these properties which involves, inter-alia, considerable analyses of the recent transacted prices of the respective properties held for sale, the current market price of properties of comparable standard and location, the estimated costs to complete the development, where appropriate, and a forecast of future sales based on available market data and statistics. If the actual net realisable values of the properties held for sale are (more) less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, a material adjustment for (reversal of) write-down of the properties held for sale may result.

Impairment of other receivable

In determining whether there is any impairment loss on the carrying amount of the other receivable of HK\$384,794,000 (2012: HK\$365,800,000) in relation to costs incurred on certain pieces of land as detailed in note 25, the Group takes into consideration objective evidence in the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss, which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, may arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings net of bank deposits, and bank balances and cash, and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and reserves.

The directors of the Company review the capital structure periodically and maintain a low gearing. The Group's percentage of net debt to carrying value of properties (comprising investments properties, hotel property, properties held for own use, properties for development and properties held for sale) at the end of the reporting period is as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Bank borrowings | 3,221,300 | 2,882,161 |
| Pledged bank deposits | — | (58,750) |
| Restricted bank deposits | (6,360) | — |
| Bank balances and cash | (2,150,101) | (1,644,905) |
| Net debt | 1,064,839 | 1,178,506 |
| Total carrying value of properties | 13,455,007 | 12,963,406 |
| Percentage of net debt to carrying value of properties | 7.9% | 9.1% |

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment and hotel operation. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

During the year, the Group's property investment activity is in Hong Kong, the PRC and Australia; property development activity is in Hong Kong and PRC; and hotel operation is in Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(continued)*

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

Segment revenues and results

For the year ended 31 December 2013

| | Property development HK\$'000 | Property investment HK\$'000 | Hotel operation HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|-------------------------------------|------------------------------------|--------------------------------|--------------------------|--------------------------|
| SEGMENT REVENUE | | | | | |
| External sales | 235,465 | 392,342 | 256,377 | — | 884,184 |
| Inter-segment sales | — | 498 | — | (498) | — |
| Total | 235,465 | 392,840 | 256,377 | (498) | 884,184 |
| SEGMENT RESULTS | | | | | |
| Segment profit | 71,639 | 623,315 | 56,994 | | 751,948 |
| Interest income | | | | | 29,123 |
| Corporate income less expenses | | | | | (117,490) |
| Share of results of associates | | | | | 27,886 |
| Finance costs | | | | | (91,159) |
| Profit before taxation | | | | | 600,308 |

For the year ended 31 December 2012

| | Property development HK\$'000 | Property investment HK\$'000 | Hotel operation HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|---------------------------------------|-------------------------------------|------------------------------------|--------------------------------|--------------------------|--------------------------|
| SEGMENT REVENUE | | | | | |
| External sales | 39,196 | 319,872 | 248,206 | — | 607,274 |
| Inter-segment sales | — | 1,185 | — | (1,185) | — |
| Total | 39,196 | 321,057 | 248,206 | (1,185) | 607,274 |
| SEGMENT RESULTS | | | | | |
| Segment (loss) profit | (100,393) | 1,549,366 | 58,614 | | 1,507,587 |
| Interest income | | | | | 24,334 |
| Corporate income less expenses | | | | | (179,125) |
| Share of results of associates | | | | | 2,510 |
| Share of results of joint ventures | | | | | (2,667) |
| Finance costs | | | | | (92,526) |
| Profit before taxation | | | | | 1,260,113 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

Inter-segment sales are at mutually agreed terms.

The Group does not allocate interest income, corporate income less expenses, share of results of associates and joint ventures, and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

Other segment profit or loss information

The following charges (credits) are included in the measurement of segment profit or loss:

For the year ended 31 December 2013

| | Property development HK\$'000 | Property investment HK\$'000 | Hotel operation HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|-------------------------------------|------------------------------------|--------------------------------|-------------------------|--------------------------|
| Amortisation and depreciation | | | | | |
| — Properties for development | 24,124 | — | — | — | 24,124 |
| — Depreciation of property, plant and equipment | 1,764 | 3,018 | 44,287 | 9,836 | 58,905 |
| Fair value changes on investment properties | — | (277,219) | — | — | (277,219) |
| Fair value adjustment on other receivable | (7,435) | — | — | — | (7,435) |
| Loss (gain) on disposal of property, plant and equipment | 47 | (5) | — | — | 42 |

For the year ended 31 December 2012

| | Property development HK\$'000 | Property investment HK\$'000 | Hotel operation HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|-------------------------------------|------------------------------------|--------------------------------|-------------------------|--------------------------|
| Amortisation and depreciation | | | | | |
| — Properties for development | 21,533 | — | — | — | 21,533 |
| — Depreciation of property, plant and equipment | 1,595 | 2,057 | 48,966 | 9,748 | 62,366 |
| Fair value changes on investment properties | — | (1,300,282) | — | — | (1,300,282) |
| Fair value adjustment on other receivable | 14,706 | — | — | — | 14,706 |
| Write-down of properties held for sale | 21,336 | — | — | — | 21,336 |
| Loss (gain) on disposal of property, plant and equipment | 7 | 33 | 47 | (140) | (53) |
| Reversal of provision on relocation compensation | (5,089) | — | — | — | (5,089) |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(continued)*

Geographical information

The Group operates in three (2012: four) principal geographical areas, being Hong Kong (country of domicile), the PRC and Australia (2012: Hong Kong (country of domicile), the PRC, Australia and New Zealand).

The Group's revenue from external customers by geographical location of properties is detailed below.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-------------|------------------|------------------|
| Hong Kong | 724,012 | 459,215 |
| PRC | 140,764 | 125,596 |
| Australia | 19,408 | 20,265 |
| New Zealand | — | 2,198 |
| | 884,184 | 607,274 |

No single customer contributes over 10% of the total revenue of the Group for both years.

The Group's information about its non-current assets, excluding financial assets, by geographical location are detailed below.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-------------|-------------------|-------------------|
| Hong Kong | 8,347,217 | 8,185,465 |
| PRC | 3,791,900 | 3,576,690 |
| Australia | 197,515 | 232,935 |
| New Zealand | — | 13,308 |
| | 12,336,632 | 12,008,398 |

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision maker in the resource allocation and assessment of performance.

7. REVENUE

The following is an analysis of the Group's revenue from its major business activities.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------------|------------------|------------------|
| Sale of properties | 235,465 | 39,196 |
| Renting of investment properties | 392,342 | 319,872 |
| Hotel operation | 256,377 | 248,206 |
| | 884,184 | 607,274 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8. OTHER INCOME

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Included in other income is: | | |
| Net exchange gain | 5,080 | 7,273 |
| Rental income from properties held for sale temporarily leased | 4,230 | 6,415 |

9. PROPERTY AND RELATED COSTS

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Changes in completed properties and properties under development held for sale | 98,369 | 15,777 |
| Reversal of provision on relocation compensation | — | (5,089) |
| Write-down of properties held for sale | — | 21,336 |
| Selling and marketing expenses | 6,472 | 2,949 |
| Direct operating expenses of investment properties | 50,188 | 39,545 |
| | 155,029 | 74,518 |

10. OTHER EXPENSES

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------|------------------|------------------|
| Included in other expenses are: | | |
| Hotel operating expenses | 63,625 | 63,244 |
| Legal and professional fees | 9,435 | 12,367 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. FINANCE COSTS

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Interest on: | | |
| Bank borrowings wholly repayable within 5 years | 50,930 | 51,188 |
| Bank borrowings not wholly repayable within 5 years | 37,427 | 38,387 |
| | 88,357 | 89,575 |
| Less: Amounts capitalised to property development project | (4,676) | (3,689) |
| | 83,681 | 85,886 |
| Front end fee | 4,005 | 3,463 |
| Other charges | 3,473 | 3,177 |
| | 91,159 | 92,526 |

12. PROFIT BEFORE TAXATION

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Auditor's remuneration | 4,455 | 4,378 |
| Fair value adjustment on other receivable | (7,435) | 14,706 |
| Share-based payment expenses | | |
| — Share options | 12,487 | 8,160 |
| — Share awards | — | 51,970 |
| | 12,487 | 60,130 |
| Depreciation and amortisation | 83,357 | 84,175 |
| Less: Amount capitalised to property development projects | (328) | (276) |
| | 83,029 | 83,899 |
| Loss (gain) on disposal of property, plant and equipment | 42 | (53) |
| Gross rental income from investment properties | (392,342) | (319,872) |
| Less: Direct operating expenses | 50,188 | 39,545 |
| Net rental income | (342,154) | (280,327) |
| Interest income from second mortgage loans | (418) | (791) |
| Interest earned on bank deposits | (28,249) | (23,111) |
| Imputed interest income on loans to joint ventures | — | (432) |
| Other interest income | (456) | — |
| | (29,123) | (24,334) |
| Fair value changes on derivative financial instrument | (776) | 2,243 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

13. INCOME TAX EXPENSE

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------------|------------------|------------------|
| The charge comprises: | | |
| Current tax | | |
| Hong Kong Profits Tax | 51,196 | 12,928 |
| PRC Enterprise Income Tax | 11,232 | 8,963 |
| Other jurisdictions | 192 | 129 |
| | 62,620 | 22,020 |
| (Over) under provision in prior years | | |
| Hong Kong Profits Tax | (10,451) | 1,012 |
| Deferred tax | 23,305 | 64,032 |
| | 75,474 | 87,064 |

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

Income tax arising in the PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 36.

Income tax expense for the year can be reconciled from profit before taxation per the consolidated statement of profit or loss as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 600,308 | 1,260,113 |
| Tax at the domestic income tax rate of 16.5% | 99,051 | 207,918 |
| Tax effect of share of results of associates | (4,601) | (414) |
| Tax effect of share of results of joint ventures | — | 440 |
| Tax effect of expenses not deductible for tax purposes | 32,610 | 27,087 |
| Tax effect of income not taxable for tax purposes | (47,217) | (180,695) |
| Tax effect of tax losses not recognised | 2,661 | 15,892 |
| Tax effect of deductible temporary differences not recognised | 224 | — |
| Utilisation of tax losses previously not recognised | (10,900) | (12,668) |
| Withholding tax in other jurisdictions | 125 | 129 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 11,598 | 24,594 |
| (Over) under provision in prior years | (10,451) | 1,012 |
| Others | 2,374 | 3,769 |
| Income tax expense for the year | 75,474 | 87,064 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors for the year are as follows:

| | Mr. Lu Wing Chi HK\$'000 | Mr. Lu Wing Yuk, Andrew HK\$'000 | Mr. Lincoln Lu HK\$'000 | Mr. Lambert Lu HK\$'000 | Mr. Lam Sing Tai HK\$'000 | Mr. Walujo Santoso, Wally HK\$'000 | Mr. Leung Hok Lim HK\$'000 | Mr. Chung Pui Lam HK\$'000 | Total HK\$'000 |
|--|--------------------------------|---|----------------------------------|----------------------------------|---------------------------------|---|----------------------------------|----------------------------------|-------------------|
| 2013 | | | | | | | | | |
| Fees | 264 | 20 | 20 | 264 | 20 | 200 | 250 | 250 | 1,288 |
| Other emoluments | | | | | | | | | |
| Salaries and other benefits | 6,000 | 960 | 2,910 | 2,910 | 1,920 | — | — | — | 14,700 |
| Discretionary and performance based bonus (Note below) | 17,567 | 350 | 1,464 | 1,464 | 1,000 | — | — | — | 21,845 |
| Retirement benefits scheme contribution | 924 | 144 | 364 | 388 | 288 | — | — | — | 2,108 |
| Share option expenses | 1,875 | 375 | 1,875 | 1,875 | 1,875 | 187 | 187 | 187 | 8,436 |
| Total emoluments | 26,630 | 1,849 | 6,633 | 6,901 | 5,103 | 387 | 437 | 437 | 48,377 |
| 2012 | | | | | | | | | |
| Fees | 265 | 20 | 20 | 265 | 20 | 200 | 250 | 250 | 1,290 |
| Other emoluments | | | | | | | | | |
| Salaries and other benefits | 5,700 | 960 | 2,790 | 2,790 | 1,830 | — | — | — | 14,070 |
| Discretionary and performance based bonus (Note below) | 37,065 | 350 | 3,089 | 3,089 | 1,000 | — | — | — | 44,593 |
| Retirement benefits scheme contribution | 879 | 144 | 349 | 373 | 275 | — | — | — | 2,020 |
| Share option expenses | 1,206 | 243 | 1,206 | 1,206 | 1,206 | 120 | 120 | 120 | 5,427 |
| Share awards expense | 11,182 | 2,224 | 11,182 | 11,182 | 11,182 | 1,116 | 1,116 | 1,116 | 50,300 |
| Total emoluments | 56,297 | 3,941 | 18,636 | 18,905 | 15,513 | 1,436 | 1,486 | 1,486 | 117,700 |

Note:

The discretionary and performance based bonus to Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu are based on their contribution to the Group and calculated on the basis of profit before taxation attributable to the Company's shareholders. Messrs. Lu Wing Yuk, Andrew and Lam Sing Tai are based on the performance of the Group and their individual performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors of the Company whose emoluments are disclosed in note 14. The emoluments of the remaining one (2012: one) individual for the year amounted to HK\$4,457,000 (2012: HK\$4,477,000), representing salaries and other benefits of HK\$4,035,000 (2012: HK\$3,845,000), retirement benefits scheme of HK\$122,000 (2012: HK\$122,000), discretionary and performance-based bonus of HK\$300,000 (2012: HK\$510,000), for his service rendered to the Group.

16. DIVIDENDS

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Dividend recognised as distribution during the year: | | |
| 2013 interim dividend — HK5 cents (2012: 2012 interim dividend — HK5 cents) per share | 33,618 | 33,561 |
| 2012 final dividend — HK6 cents (2012: 2011 final dividend — HK6 cents) per share | 40,318 | 40,169 |
| | 73,936 | 73,730 |
| 2013 final dividend proposed: HK6 cents (2012: HK6 cents) per share | 40,509 | 40,318 |

A final dividend of HK6 cents (2012: HK6 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. EARNINGS PER SHARE

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Earnings for the purpose of basic and diluted earnings per share: | | |
| Profit for the year attributable to Company's shareholders | 510,090 | 1,161,289 |
| | Number of shares | |
| | 2013 | 2012 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 672,145,397 | 667,569,240 |
| Effect of dilutive potential ordinary share options | 11,424,870 | 3,908,998 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 683,570,267 | 671,478,238 |

For the purpose of assessing the performance of the Group, the directors are of the view that the profit for the year should be adjusted for the fair value changes on investment properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit (loss) attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Profit for the year attributable to the Company's shareholders as shown in the consolidated statement of profit or loss | 510,090 | 1,161,289 |
| Fair value changes on investment properties | (277,219) | (1,300,282) |
| Deferred tax thereon | 18,774 | 61,277 |
| Attributable to non-controlling interests | 7,627 | 36,710 |
| Adjusted profit (loss) attributable to the Company's shareholders | 259,272 | (41,006) |
| Earnings (loss) per share excluding fair value changes on investment properties net of deferred tax | | |
| Basic | HK38.6 cents | HK(6.1) cents |
| Diluted | HK37.9 cents | HK(6.1) cents |

The denominators used in the calculation of basic and diluted adjusted earnings per share for the year ended 31 December 2013 and basic adjusted loss per share for the year ended 31 December 2012 are the same as those detailed above. The computation of diluted adjusted loss per share for the year ended 31 December 2012 does not assume the exercise of the share options as it would result in decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. INVESTMENT PROPERTIES

| | Hong Kong | | PRC | | Australia | Total HK\$'000 |
|--|----------------------------|------------------------------------|----------------------------|------------------------------------|-----------------------------------|-------------------|
| | Long leases HK\$'000 | Medium- term leases HK\$'000 | Long leases HK\$'000 | Medium- term leases HK\$'000 | Medium- term lease HK\$'000 | |
| At 1 January 2012 | — | 6,092,600 | 1,732,327 | 251,387 | 221,974 | 8,298,288 |
| Additions | — | 9,482 | — | — | — | 9,482 |
| Fair value changes | — | 1,058,218 | 224,311 | 18,559 | (806) | 1,300,282 |
| Exchange adjustments | — | — | 485 | 23 | 4,155 | 4,663 |
| At 31 December 2012 | — | 7,160,300 | 1,957,123 | 269,969 | 225,323 | 9,612,715 |
| Additions | 9,934 | — | — | — | — | 9,934 |
| Fair value changes | (1,834) | 204,200 | 59,411 | 17,673 | (2,231) | 277,219 |
| Reclassification from property, plant and equipment (Note 19) | — | — | — | 12,990 | — | 12,990 |
| Exchange adjustments | — | — | 62,131 | 8,821 | (31,631) | 39,321 |
| At 31 December 2013 | 8,100 | 7,364,500 | 2,078,665 | 309,453 | 191,461 | 9,952,179 |

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

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the model.

The fair values of the Group's Hong Kong and the PRC investment properties with an aggregate carrying value of HK\$9,760,718,000 at 31 December 2013 (2012: HK\$9,387,392,000) were arrived at on the basis of a valuation carried out at those dates by Savills Valuation and Professional Services Limited ("Savills") whereas those in Australia with a carrying value of HK\$191,461,000 (2012: HK\$225,323,000) were arrived at on the basis of a valuation carried out at those dates by CBRE Valuations Pty Limited ("CBRE").

Savills and CBRE are independent professional valuers not connected with the Group. They are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. INVESTMENT PROPERTIES *(continued)*

The valuations were arrived at by reference to market evidence of transaction prices or by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets. In the valuation, which falls under Level 3 of the fair value hierarchy, the market rentals of all lettable units as well as those of similar properties are made by reference to the rentals achieved by the Group in the lettable units as well as those of similar properties in the neighbourhood. The capitalisation rate adopted is by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted for the valuers' knowledge of factors specific to the respective properties. There has been no change from the valuation technique used in the prior year.

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

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and monthly unit rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. The higher the monthly unit rent, the higher the fair value and vice versa.

Details of the significant unobservable input under the income capitalisation approach are as follows:

| Class of property | Capitalisation rates |
|-------------------------------------|------------------------------------|
| Office units and shops in Hong Kong | 3.75% per annum |
| Car parking spaces in Hong Kong | 5.5% per annum |
| Shops in the PRC | 6.75% per annum to 9.0% per annum |
| Office units in the PRC | 6.0% per annum to 6.5% per annum |
| Other properties in Australia | 10.0% per annum to 10.5% per annum |

Residential units in Hong Kong and car parking spaces in the PRC were valued under direct comparison approach, market unit rate is one of the key inputs. The higher the market unit rate the higher the fair value, and vice versa. The adopted market unit rates for residential units in Hong Kong range from HK\$11,600 to HK\$19,900 per square feet and the adopted market unit rates for the car parking spaces in the PRC range from RMB115,000 to RMB150,000 per unit.

Details of the Group's investment properties which falls under level 3 of the fair value hierarchy as at 31 December 2013 are as follows:

| | Fair value as at 2013 HK\$'000 |
|---|--------------------------------------|
| Commercial property located in Hong Kong | 7,359,000 |
| Residential properties located in Hong Kong | 13,600 |
| Commercial properties located in the PRC | 2,388,118 |
| Other properties located in Australia | 191,461 |
| | 9,952,179 |

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

Notes to the Consolidated Financial Statements

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19. PROPERTY, PLANT AND EQUIPMENT

| | Hotel building HK\$'000 | Properties in Hong Kong HK\$'000 | Properties in PRC HK\$'000 | Plant and machinery HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles and vessel HK\$'000 | Leasehold improvements HK\$'000 | Crockery, utensils and linen HK\$'000 | Total HK\$'000 |
|---|-------------------------------|---|----------------------------------|------------------------------------|---|---|---------------------------------------|--|-------------------|
| COST | | | | | | | | | |
| At 1 January 2012 | 789,950 | 258,998 | 48,229 | 39,255 | 45,601 | 28,014 | 80,783 | 5,051 | 1,295,881 |
| Additions | — | — | — | — | 2,252 | 1,612 | 485 | — | 4,349 |
| Disposals | (55) | — | — | — | (264) | (1,464) | (17) | — | (1,800) |
| Exchange adjustments | — | — | (7) | 16 | 11 | 251 | 2 | — | 273 |
| At 31 December 2012 | 789,895 | 258,998 | 48,222 | 39,271 | 47,600 | 28,413 | 81,253 | 5,051 | 1,298,703 |
| Additions | — | — | — | 5,809 | 3,970 | 804 | 805 | — | 11,388 |
| Disposals | — | — | — | (118) | (7,472) | (1,170) | (1,795) | — | (10,555) |
| Reclassification to investment properties (Note) | — | — | (10,137) | — | — | — | — | — | (10,137) |
| Exchange adjustments | — | — | 1,416 | 88 | 172 | (1,719) | 192 | — | 149 |
| At 31 December 2013 | 789,895 | 258,998 | 39,501 | 45,050 | 44,270 | 26,328 | 80,455 | 5,051 | 1,289,548 |
| DEPRECIATION | | | | | | | | | |
| At 1 January 2012 | 43,772 | 14,327 | 1,048 | 9,249 | 27,361 | 14,442 | 45,622 | — | 155,821 |
| Provided for the year | 20,008 | 7,164 | 1,086 | 3,928 | 9,051 | 2,721 | 18,684 | — | 62,642 |
| Eliminated on disposals | (4) | — | — | — | (159) | (1,390) | (12) | — | (1,565) |
| Exchange adjustments | — | — | 5 | 4 | 9 | 103 | 9 | — | 130 |
| At 31 December 2012 | 63,776 | 21,491 | 2,139 | 13,181 | 36,262 | 15,876 | 64,303 | — | 217,028 |
| Provided for the year | 20,007 | 7,164 | 1,043 | 5,155 | 8,330 | 2,394 | 15,140 | — | 59,233 |
| Eliminated on disposals | — | — | — | (93) | (7,398) | (1,065) | (1,795) | — | (10,351) |
| Eliminated on reclassification to investment properties (Note) | — | — | (948) | — | — | — | — | — | (948) |
| Exchange adjustments | — | — | 75 | 18 | 87 | (774) | 114 | — | (480) |
| At 31 December 2013 | 83,783 | 28,655 | 2,309 | 18,261 | 37,281 | 16,431 | 77,762 | — | 264,482 |
| CARRYING VALUES | | | | | | | | | |
| At 31 December 2013 | 706,112 | 230,343 | 37,192 | 26,789 | 6,989 | 9,897 | 2,693 | 5,051 | 1,025,066 |
| At 31 December 2012 | 726,119 | 237,507 | 46,083 | 26,090 | 11,338 | 12,537 | 16,950 | 5,051 | 1,081,675 |

Note: During the year, the Group changed the usage of certain properties in the PRC from owner occupation to investment properties. Accordingly, the relevant portion of the properties with a net carrying value of HK\$9,189,000 was transferred from property, plant and equipment to investment properties at its fair value on the date of transfer of HK\$12,990,000 which were determined by the directors of the Company by reference to the valuation carried out by Savills at 31 December 2013.

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

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values at the following rates per annum:

| | |
|-----------------------------------|--|
| Leasehold land | Over the lease terms ranging from 42 years to 45.5 years |
| Completed hotel building | 40 years |
| Other building | 2% to 5% |
| Plant and machinery | 10% |
| Furniture, fixtures and equipment | 25% |
| Motor vehicles and vessel | 20% - 25% |
| Leasehold improvements | 25% |

The carrying amounts of properties shown above comprise properties situated on:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--------------------------------|------------------|------------------|
| Properties in Hong Kong | | |
| Medium-term lease | 230,343 | 237,507 |
| Properties in PRC | | |
| Long lease | 33,932 | 33,659 |
| Medium-term lease | 3,260 | 12,424 |
| | 37,192 | 46,083 |

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20. PROPERTIES FOR DEVELOPMENT

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--------------------------------------|------------------|------------------|
| COST | | |
| At 1 January | 1,336,169 | 1,310,596 |
| Additions | 125,366 | 25,693 |
| Transfer to properties held for sale | (86,436) | — |
| Exchange adjustments | 41,934 | (120) |
| At 31 December | 1,417,033 | 1,336,169 |
| AMORTISATION | | |
| At 1 January | 43,926 | 22,324 |
| Provided for the year | 24,124 | 21,533 |
| Transfer to properties held for sale | (3,455) | — |
| Exchange adjustments | 1,625 | 69 |
| At 31 December | 66,220 | 43,926 |
| CARRYING VALUE | | |
| At 31 December | 1,350,813 | 1,292,243 |

The carrying amount represents the Group's interest in certain pieces of land located in the PRC to be held for future development.

The carrying amount is amortised on a straight-line basis over the lease terms ranging from 40 to 70 years.

21. CLUB MEMBERSHIPS

The club memberships are considered as having an indefinite useful life as the directors are of the opinion that the Group would derive benefits from the use of club memberships perpetually. The club memberships are stated at cost. No amortisation will be made on their carrying amount unless their useful life are determined to be finite. The club memberships will be tested for impairment annually or whenever there is an indication of impairment. Up to the end of the reporting period, no impairment has been made on the amount presented as there is no indication of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

22. INTERESTS IN ASSOCIATES

| | 2013 HK\$'000 | 2012 HK\$'000 |
|------------------------------------|------------------|------------------|
| Unlisted investments, at cost | — | 96,990 |
| Share of post-acquisition reserves | — | (3,403) |
| Impairment loss recognised | — | (80,396) |
| | — | 13,191 |

Details of the Group's principal associates at 31 December 2012 and 31 December 2013 are as follows:

| Name of associate | Form of business structure | Country of incorporation/operation | Effective percentage of issued ordinary share capital held by the Group | | Principal activities |
|--|----------------------------|------------------------------------|---|------|-----------------------------|
| | | | 2013 | 2012 | |
| Conexa Limited ("Conexa") | Incorporated | New Zealand | — | 40 | E-commerce marketplace |
| GSB Supplycorp Limited ("GSB") | Incorporated | New Zealand | — | 50 | Public sector e-procurement |
| Professional Service Brokers Limited ("PSB") | Incorporated | New Zealand | 50 | 50 | In liquidation |

The directors are of the opinion that a complete list of the particulars of all associates of the Group will be of excessive length and therefore the above list contains only the particulars of associates which principally affect the results or assets of the Group.

Notes to the Consolidated Financial Statements

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22. INTERESTS IN ASSOCIATES *(continued)*

Included in the cost of investment in associates as at 31 December 2012 was goodwill of HK\$80,396,000 arising on acquisition of the associates and against which an impairment loss had been fully recognised in prior years. During the current year, PSB disposed of its entire equity interests in GSB and Conexa and, thereafter, ceased its operations. PSB was under liquidation as at 31 December 2013.

All of the associates are accounted for using the equity method in these consolidated financial statements.

The summarised financial information in respect of the Group's associates is as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Total assets | — | 31,239 |
| Total liabilities | — | (4,857) |
| Net assets | — | 26,382 |
| Group's share of net assets of associates | — | 13,191 |
| Revenue | 32,118 | 67,044 |
| Profit for the year | 55,771 | 5,019 |
| Other comprehensive (loss) income | (833) | 1,270 |
| Total comprehensive income for the year | 54,938 | 6,289 |
| Group's share of total comprehensive income of associates for the year | 27,469 | 3,145 |

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For the year ended 31 December 2013

23. LOANS RECEIVABLE

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------------|------------------|------------------|
| Second mortgage loans | 7,535 | 10,038 |
| Analysed for reporting purposes: | | |
| Non-current assets | 7,072 | 9,396 |
| Current assets | 463 | 642 |
| | 7,535 | 10,038 |

The loans bear interest at Hong Kong Prime Rate and are repayable by monthly installments over a period of 20 years or as stipulated in the respective agreements.

The second mortgage loans are secured by the leasehold properties of the borrowers.

The effective interest rate of the loans receivable is 5.0% (2012: 5.0%) per annum.

Loans receivable balances which are past due at the end of the reporting period are minimal and are not considered impaired. In determining the recoverability of the loans receivable, the Group considers, among other factors, any change in value of the properties securing the loans.

The concentration of credit risk is limited due to the customer base being large and unrelated. No single loan receivable is individually material.

24. NOTE RECEIVABLES

The amount represents (i) the carrying value of a five-year zero coupon principal protected index-linked note with principal amount of US\$2,000,000 (equivalent to HK\$15,508,000) (2012: US\$2,000,000 (equivalent to HK\$15,510,000) maturing on 7 February 2017; and (ii) the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US\$5,000,000 (equivalent to HK\$38,771,000) (2012: nil) maturing on 9 August 2018. The index is a proprietary index named Forex Yield Differential Accrual Perpetual Index, which is a proprietary non-discretionary algorithm to calculate the risk filter multiple of non-discretionary trading that observes a basket of ten currencies.

The host contracts of the note are measured at amortised cost. The index-linked feature is regarded as a derivative embedded in but not closely related to the host contract in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*. However, in the opinion of the directors, the fair values of the embedded derivatives at the end of the reporting period are insignificant and therefore they have not been accounted for as a separate component in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

25. OTHER RECEIVABLE

At 31 December 2013, the Group had incurred a total amount of RMB321,052,000 (2012: RMB321,052,000), equivalent to HK\$408,346,000 (2012: HK\$395,954,000), for the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land in Nanjing, the PRC. The amount, together with further costs to complete the work, are wholly refundable from the relevant PRC local government either by deduction against the consideration payable if the Group is successful in bidding for the land or out of the proceeds received by the relevant PRC local government from another successful tenderer. The directors estimate that, based on the Group's development plan, the time schedule for auction of the relevant land will be initiated before the end of 2016 and by then the full amount will be recovered.

The balance of HK\$384,794,000 (2012: HK\$365,800,000) represents the Hong Kong dollar equivalent of the present value of the original amount of RMB321,052,000 expected to be recovered in 2016 discounted at the rate of 2% per annum.

26. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits carried interest at fixed rates ranging from 0.1% to 2.9% per annum at 31 December 2012. All pledged bank deposits were refunded to the Group during the year upon full repayment of the relevant bank borrowings.

Restricted bank deposits carry interest at a fixed rate of 0.4% per annum and were placed with a bank in relation to long-term bank borrowings.

27. PROPERTIES HELD FOR SALE

Properties under development are expected to be realised in more than twelve months after the end of the reporting period.

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For the year ended 31 December 2013

28. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Trade receivables | 9,150 | 11,671 |
| Accrued income | 92,234 | 85,407 |
| Deposits and prepayments | 25,562 | 21,515 |
| Less: Allowance for impairment loss | — | (351) |
| | 126,946 | 118,242 |

Trade receivables mainly represent rental receivable from tenants for the use of the Group's properties and receivable from corporate customers and travel agents for the use of hotel facilities. No credit is allowed to tenants. Rentals are payable upon presentation of demand notes. An average credit period of 30 days is allowed to corporate customers and travel agents.

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------|------------------|------------------|
| 0 to 30 days | 8,214 | 10,761 |
| 31 to 60 days | 936 | 763 |
| 61 to 90 days | — | 4 |
| 91 to 365 days | — | 142 |
| Over 365 days | — | 1 |
| | 9,150 | 11,671 |

Before granting credit to any customer, the Group uses an internal credit assessment policy to assess the potential customers' credit quality and defines credit limit by customer. Trade receivables of HK\$940,000 (2012: HK\$2,088,000) at the end of the reporting period are past due but not considered impaired as these debtors have good repayment history. The Group does not hold any collateral over these balances.

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29. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The balances are unsecured, interest-free and repayable on demand.

30. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits which carry fixed interest rates ranging from 0.1% to 3.3% (2012: 0.1% to 3.1%) per annum. Included in bank balances and cash is fixed deposits of HK\$455,340,000 (2012: HK\$36,999,000) with an original maturity period of more than three months.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong dollars | 23 | 100 |
| United States dollars | 16,019 | 76,495 |
| Renminbi | 185,013 | 808,689 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. ASSETS CLASSIFIED AS HELD FOR SALE

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Cost of unlisted investment in joint ventures | — | 3,994 |
| Share of post-acquisition reserves | — | (5,929) |
| | — | (1,935) |
| Loans to joint ventures | — | 44,025 |
| | — | 42,090 |

On 7 March 2012, the Group entered into an agreement to dispose of its entire equity interest, together with the assignment of the loans to the joint ventures, to the joint venture partner for a total cash consideration of HK\$61,250,000. The disposal was completed in May 2013.

32. PAYABLES, DEPOSITS AND ACCRUED CHARGES

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Trade payables | 2,609 | 2,720 |
| Rental deposits | 113,185 | 93,539 |
| Rental received in advance | 12,052 | 8,590 |
| Other payables, other deposits and accrued charges | 195,182 | 252,741 |
| | 323,028 | 357,590 |

Included in other payables is an aggregate amount of HK\$87,876,000 (2012: HK\$85,761,000) payable to contractors for the cost in relation to the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land as detailed in note 25. Included in other deposits at 31 December 2012 is an amount of HK\$40,000,000 received on disposal of the interests in joint ventures as detailed in note 31.

Rental deposits to be settled after twelve months from the end of the reporting period based on the respective lease terms amounted to HK\$87,302,000 (2012: HK\$61,667,000).

Trade payables are aged less than 60 days at the end of the reporting period based on the invoice date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

33. BANK BORROWINGS

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Secured | 3,024,997 | 2,897,538 |
| Unsecured | 210,000 | — |
| | 3,234,997 | 2,897,538 |
| Less: Front-end fee | (13,697) | (15,377) |
| | 3,221,300 | 2,882,161 |
| Analysed for reporting purpose as: | | |
| Current liabilities | 1,499,192 | 409,367 |
| Non-current liabilities | 1,722,108 | 2,472,794 |
| | 3,221,300 | 2,882,161 |
| The bank borrowings are repayable as follows: | | |
| On demand or within one year | 1,500,325 | 410,210 |
| More than one year, but not exceeding two years | 395,152 | 1,170,973 |
| More than two years, but not exceeding five years | 1,082,914 | 1,015,430 |
| More than five years | 256,606 | 300,925 |
| | 3,234,997 | 2,897,538 |

All bank borrowings are denominated in the functional currencies of the relevant group entities. Except for a fixed rate bank borrowing with a carrying amount of HK\$87,400,000 (2012: HK\$101,757,000) carrying interest at 6.23% (2012: 6.23%) per annum, other borrowings carry interest at floating rates with effective interest rates ranging from 1.50% to 8.19% (2012: 1.49% to 7.76%) per annum and are analysed below:

| Denominated in | Interest rates | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------|--|------------------|------------------|
| Hong Kong dollars | Hong Kong Interbank Offered Rate ("HIBOR") plus 1.0% to 2.75% (2012: HIBOR plus 0.75% to 2.75%) | 2,572,182 | 2,173,182 |
| Renminbi | 95% to 125% of People's Bank of China ("PBOC") Prescribed Interest Rates (2012: 95% to 110% of PBOC Prescribed Interest Rates) | 546,281 | 567,318 |
| Australian dollars | Bank Bill Swap Bid Rate plus 2.25% (2012: Bank Bill Swap Bid Rate plus 2.25%) | 29,134 | 33,918 |
| New Zealand dollars | Bank Bill Rate plus 3.5% | — | 21,363 |
| | | 3,147,597 | 2,795,781 |

Notes to the Consolidated Financial Statements

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34. DERIVATIVE FINANCIAL INSTRUMENT

The carrying amount represents the fair value of an interest rate swap with a notional amount of AUD12,645,000 having a fixed interest payment of 6.23% per annum and floating interest receipt of Bank Bill Swap Bid Rate plus 2.25% and maturing on 19 December 2014. The fair value falls under Level 2 of the fair value hierarchy and is determined based on the discounted future cash flows using the applicable yield curve over the duration of the swap.

35. SHARE CAPITAL

| | Number of ordinary shares of HK\$0.1 each | | Nominal value | |
|--|---|---------------|------------------|------------------|
| | 2013 | 2012 | 2013 HK\$'000 | 2012 HK\$'000 |
| Authorised | 1,000,000,000 | 1,000,000,000 | 100,000 | 100,000 |
| Issued and fully paid: | | | | |
| At beginning of year | 671,281,726 | 669,181,726 | 67,129 | 66,919 |
| Shares issued upon exercise of share options | 1,090,000 | 2,100,000 | 108 | 210 |
| At end of year | 672,371,726 | 671,281,726 | 67,237 | 67,129 |

During the year, 340,000 (2012: 100,000) and 750,000 (2012: 2,000,000) shares of HK\$0.1 each in the Company were issued at the subscription prices upon exercise of the share options of HK\$3.454 and HK\$2.262 (2012: HK\$3.454 and HK\$2.262) per share respectively.

None of the Company's subsidiaries purchased or sold any of the Company's shares during the year.

Notes to the Consolidated Financial Statements

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36. DEFERRED TAXATION

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

| | Accelerated tax depreciation HK\$'000 | Fair value of investment properties HK\$'000 | Effective rental income HK\$'000 | Tax losses HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|-----------------------------------|--|---|---|---------------------------|--------------------|-------------------|
| At 1 January 2012 | 28,805 | 385,709 | 17,597 | (16,201) | 1,740 | 417,650 |
| Exchange adjustments | 7 | 992 | 2 | (152) | 3 | 852 |
| (Credit) charge to profit or loss | (4,267) | 61,277 | 1,543 | 6,737 | (1,258) | 64,032 |
| At 31 December 2012 | 24,545 | 447,978 | 19,142 | (9,616) | 485 | 482,534 |
| Exchange adjustments | (118) | 5,727 | 617 | 496 | 92 | 6,814 |
| (Credit) charge to profit or loss | (337) | 18,774 | 1,169 | 3,594 | 105 | 23,305 |
| At 31 December 2013 | 24,090 | 472,479 | 20,928 | (5,526) | 682 | 512,653 |

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At 31 December 2013, the Group has unused tax losses of HK\$103,362,000 (2012: HK\$695,521,000) available to offset against future profits. During the year, the Group derecognised tax losses of HK\$520,669,000 due to liquidation of subsidiaries. A deferred tax asset has been recognised in respect of HK\$21,268,000 (2012: HK\$39,969,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$82,094,000 (2012: HK\$655,552,000) as it is not probable that taxable profit will be available to offset against the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|------|------------------|------------------|
| 2013 | — | 1,699 |
| 2014 | 605 | 586 |
| 2015 | 2,129 | 2,064 |
| 2016 | 1,562 | 1,514 |
| 2017 | 3,574 | 3,467 |
| 2018 | 5,111 | — |
| | 12,981 | 9,330 |

Other tax losses may be carried forward indefinitely.

At 31 December 2013, the Group has deductible temporary differences in respect of property, plant and equipment of HK\$1,360,000 (2012: HK\$128,089,000). During the year, the Group derecognised deductible temporary differences of HK\$128,089,000 due to liquidation of subsidiaries. No deferred tax asset has been recognised in respect of such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| <i>Financial assets</i> | | |
| Loans and receivables (including cash and cash equivalents) | 2,624,503 | 2,157,699 |
| <i>Financial liabilities</i> | | |
| Financial liabilities at amortised cost | 3,506,335 | 3,301,096 |
| Derivative financial instrument | 1,132 | 2,158 |
| | 3,507,467 | 3,303,254 |

(b) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations. The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall strategy remains unchanged from prior year.

Market risk

(i) Foreign currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, the management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

The carrying amounts of the foreign currency denominated monetary assets at the end of the reporting period in the respective group entities are as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong dollars | 23 | 100 |
| United States dollars | 70,298 | 76,495 |
| Renminbi | 185,013 | 808,689 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(i) *Foreign currency risk (continued)*

The loans for foreign operations within the Group that form part of the Group's net investment in foreign operations, and are denominated in foreign currency, other than the functional currency of the respective foreign entities, the Hong Kong dollars and United States dollars, at the end of the reporting period amounted to HK\$208,904,000 (2012: HK\$207,908,000) and HK\$92,420,000 (2012: HK\$92,387,000) respectively.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) appreciation in the functional currencies of the relevant subsidiaries, Renminbi and Hong Kong dollars, relative to the foreign currencies of the relevant subsidiaries, the Hong Kong dollars, United States dollars and Renminbi. There would be an equal and opposite impact where Renminbi and Hong Kong dollars weaken 5% (2012: 5%) against the relevant currencies. 5% increase or decrease represents management's assessment of the reasonably possible change in Renminbi and Hong Kong dollars.

| | Decrease in profit for the year | | Increase in equity | |
|-----------------------|------------------------------------|------------------|--------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Hong Kong dollars | 1 | 5 | 10,445 | 10,395 |
| United States dollars | 3,515 | 3,824 | 4,621 | 4,619 |
| Renminbi | 9,251 | 40,434 | — | — |

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

Since the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System, management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, loans receivable, bank balances and deposits. The directors consider that the interest rate risk on bank balances and deposits are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is presented. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, the PBOC Prescribed Interest Rates and Australian Bank Bill Swap Bid Rate on the bank borrowings, and Hong Kong Prime Rate on the loans receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(ii) Interest rate risk (continued)

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowing.

The management monitors the interest exposure and will consider hedging interest rate risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates in relation to the Group's variable-rate bank borrowings and loans receivable at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would decrease/increase by HK\$15,700,000 (2012: HK\$13,928,000).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2013, the Group has concentration of credit risk on other receivable from two counterparties.

Although the placing of deposits and notes subscribed are concentrated on certain banks, the credit risk on these financial assets is limited because the counterparties are licensed banks.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2013, the Group has available unutilised bank loan facilities of approximately HK\$965,000,000 (2012: HK\$1,040,000,000).

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

| | Weighted average effective interest rate % | Within 3 months HK\$'000 | 3 months to 6 months HK\$'000 | 6 months to 9 months HK\$'000 | 9 months to 12 months HK\$'000 | Over 1 year HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
|--|--|--------------------------------|--|--|---|-------------------------|--|--------------------------------|
| At 31 December 2013 | | | | | | | | |
| Payables and deposits received | — | 198,348 | 8,478 | 3,743 | 3,364 | 87,302 | 301,235 | 301,235 |
| Amounts due to non-controlling interests | — | 96,985 | — | — | — | — | 96,985 | 96,985 |
| Variable rates bank borrowings | 2.65 | 443,905 | 395,838 | 43,443 | 598,002 | 1,911,451 | 3,392,639 | 3,133,900 |
| Fixed rate bank borrowing | 6.23 | 1,361 | 1,361 | 1,361 | 88,594 | — | 92,677 | 87,400 |
| | | 740,599 | 405,677 | 48,547 | 689,960 | 1,998,753 | 3,883,536 | 3,619,520 |
| At 31 December 2012 | | | | | | | | |
| Payables and deposits received | — | 216,647 | 3,967 | 9,631 | 9,158 | 61,667 | 301,070 | 301,070 |
| Amounts due to non-controlling interests | — | 211,404 | — | — | — | — | 211,404 | 211,404 |
| Variable rates bank borrowings | 2.76 | 62,863 | 41,656 | 41,502 | 336,034 | 2,587,666 | 3,069,721 | 2,780,404 |
| Fixed rate bank borrowing | 6.23 | 1,585 | 1,585 | 1,585 | 1,585 | 114,227 | 120,567 | 101,757 |
| | | 492,499 | 47,208 | 52,718 | 346,777 | 2,763,560 | 3,702,762 | 3,394,635 |

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of derivative financial instrument is determined in accordance with generally accepted pricing model based on discounted cash flow analysis with reference to interest rate at the end of the reporting period for remaining duration of the outstanding contract; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models which are based on discounted cash flow analysis using the relevant prevailing market rates as input.

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

The measurement of fair value of derivative financial instrument subsequent to initial recognition is derived from inputs, other than quoted prices for financial assets and liabilities trade in active markets, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

38. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year are HK\$1,045,000 (2012: HK\$1,091,000).

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Within one year | 477 | 714 |
| In the second to fifth years inclusive | 993 | 87 |
| | 1,470 | 801 |

Leases are negotiated for the range of 1 to 2 years (2012: 1 to 2 years) with fixed monthly rentals.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

The majority of the Group's investment properties were leased out under operating leases.

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Within one year | 373,545 | 338,905 |
| In the second to fifth years inclusive | 699,880 | 588,849 |
| Over five years | 748,765 | 865,424 |
| | 1,822,190 | 1,793,178 |

In addition to the annual minimum lease payments, the Group is entitled to, in respect of leases, in addition to committed rent, additional rental based on a specified percentage of revenue, if achieved, earned by the tenant. No such additional rental was received during the year and the preceding year.

The lease terms of the remaining leased properties range from 1 to 19 years (2012: 1 to 20 years).

39. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

- Fixed charges on investment properties and property, plant and equipment with an aggregate carrying value of HK\$9,475,989,000 (2012: HK\$9,199,061,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- Fixed charges on hotel properties with aggregate carrying values of HK\$706,112,000 (2012: HK\$726,119,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- Fixed charges on properties under development held for sale with an aggregate carrying value of HK\$874,886,000 (2012: HK\$732,430,000).
- Note receivables of HK\$54,279,000 (2012: nil).
- Bank deposits amount to HK\$58,750,000 at 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. SHARE-BASED PAYMENTS

Share Option Scheme of the Company

The employee share option scheme of the Company (the “SEA Share Option Scheme”) was approved by the shareholders on 19 August 2005 and came into effect on 25 August 2005. Unless terminated earlier by the board of directors of the Company (the “Board”), the SEA Share Option Scheme shall be valid and effective for a term of 10 years until 24 August 2015.

Under the SEA Share Option Scheme, the Board may offer to eligible participants options to subscribe for shares of the Company at a price at least the highest of (i) the nominal value of the share of the Company; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option.

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant in any 12-month period, exceeding 1% of the shares of the Company then in issue; and (b) a substantial shareholder and/or an independent non-executive director of the Company or its subsidiaries or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period, exceeding 0.1% of the shares of the Company then in issue and with an aggregate value exceeding HK\$5 million.

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$10. The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. SHARE-BASED PAYMENTS (continued)

Share Option Scheme of the Company (continued)

Details of the share options granted under the SEA Share Option Scheme during the two years ended 31 December 2013 are as follows:

| Date of grant | Exercisable period upon vesting | Exercise price HK\$ | Number of share options | | | | | | | | |
|---------------------------------|---------------------------------|-------------------------|-------------------------|-------------------|--------------------|------------------|---------------------|----------|--------------------|--------------------|---------------------|
| | | | At 1 January 2012 | Granted | Exercised | Lapsed | At 31 December 2012 | Granted | Exercised | Lapsed | At 31 December 2013 |
| Granted to the directors | | | | | | | | | | | |
| 12.07.2012 | 01.07.2013 - 30.06.2015 | 3.454 | — | 10,032,000 | — | — | 10,032,000 | — | — | — | 10,032,000 |
| 12.07.2012 | 01.07.2014 - 30.06.2016 | 3.454 | — | 10,032,000 | — | — | 10,032,000 | — | — | — | 10,032,000 |
| 12.07.2012 | 01.07.2015 - 30.06.2017 | 3.454 | — | 10,032,000 | — | — | 10,032,000 | — | — | — | 10,032,000 |
| | | | — | 30,096,000 | — | — | 30,096,000 | — | — | — | 30,096,000 |
| Granted to the employees | | | | | | | | | | | |
| 31.12.2008 | 31.12.2010 - 30.12.2012 | 2.262 | 1,100,000 | — | (1,100,000) | — | — | — | — | — | — |
| 31.12.2008 | 30.06.2011 - 29.06.2013 | 2.262 | 300,000 | — | (300,000) | — | — | — | — | — | — |
| 31.12.2008 | 31.12.2011 - 30.12.2013 | 2.262 | 100,000 | — | (100,000) | — | — | — | — | — | — |
| 31.12.2008 | 30.06.2012 - 29.06.2014 | 2.262 | 500,000 | — | (500,000) | — | — | — | — | — | — |
| 31.12.2008 | 31.12.2012 - 30.12.2014 | 2.262 | 350,000 | — | — | — | 350,000 | — | (350,000) | — | — |
| 31.12.2008 | 30.06.2013 - 29.06.2015 | 2.262 | 800,000 | — | — | (100,000) | 700,000 | — | (400,000) | (300,000) | — |
| 12.07.2012 | 12.07.2012 - 30.06.2014 | 3.454 | — | 200,000 | (100,000) | — | 100,000 | — | — | — | 100,000 |
| 12.07.2012 | 01.01.2013 - 31.12.2014 | 3.454 | — | 340,000 | — | — | 340,000 | — | (340,000) | — | — |
| 12.07.2012 | 01.07.2013 - 30.06.2015 | 3.454 | — | 1,630,000 | — | — | 1,630,000 | — | — | — | 1,630,000 |
| 12.07.2012 | 01.01.2014 - 31.12.2015 | 3.454 | — | 2,800,000 | — | (150,000) | 2,650,000 | — | — | — | 2,650,000 |
| 12.07.2012 | 01.07.2014 - 30.06.2016 | 3.454 | — | 2,850,000 | — | — | 2,850,000 | — | — | (450,000) | 2,400,000 |
| 12.07.2012 | 01.01.2015 - 31.12.2016 | 3.454 | — | 2,270,000 | — | (400,000) | 1,870,000 | — | — | (270,000) | 1,600,000 |
| 12.07.2012 | 01.07.2015 - 30.06.2017 | 3.454 | — | 7,760,000 | — | (140,000) | 7,620,000 | — | — | (660,000) | 6,960,000 |
| | | | 3,150,000 | 17,850,000 | (2,100,000) | (790,000) | 18,110,000 | — | (1,090,000) | (1,680,000) | 15,340,000 |
| | | Total | 3,150,000 | 47,946,000 | (2,100,000) | (790,000) | 48,206,000 | — | (1,090,000) | (1,680,000) | 45,436,000 |
| | | Exercisable at year end | 1,500,000 | | | | 450,000 | | | | 11,762,000 |

Total consideration received by the Group for exercising the share options during the year amounted to HK\$2,870,000 (2012: HK\$4,870,000) and the weighted average share price at the dates of exercise was HK\$5.48 (2012: HK\$4.23).

On 12 July 2012, 47,946,000 share options were granted to the directors and employees and the closing prices of the Company's shares immediately preceding the date of grant was HK\$3.38. The estimated fair values of the share options granted to directors and employees on that date were HK\$18,720,000 and HK\$11,145,000 respectively. The directors determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. SHARE-BASED PAYMENTS *(continued)*

Share Option Scheme of the Company *(continued)*

The fair values were calculated using The Binominal Option Pricing model. The inputs into the model were as follows:

| | |
|-------------------------------|-----------------|
| Share price as at grant date: | HK\$3.340 |
| Exercise price: | HK\$3.454 |
| Expected volatility: | 24.68% — 31.22% |
| Expected dividend yield: | 3.29% |
| Risk-free rate: | 0.18% — 0.33% |

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

The variables and assumptions used in computing the fair value of the share options were based on director's best estimate. The value of option varied with different variables of certain subjective assumptions.

Share Award Scheme of the Company

The share award scheme of the Company (the "SEA Share Award Scheme") was approved by the shareholders of the Company on 27 May 2010 and came into effect on 15 June 2010. Unless terminated earlier by the Board, the SEA Share Award Scheme shall be valid and effective for a term of 15 years until 14 June 2025.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the SEA Share Award Scheme). Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and is listed on the Stock Exchange from time to time; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

The Company has appointed trustee to acquire the Company's shares from the open market with funds provided by the Company and to hold the shares before they are vested and transferred to the selected participants.

On 12 July 2012, 15,060,000 shares and 500,000 shares of the Company were awarded to directors of the Company and a director of Asian Growth Properties Limited ("AGP"), a subsidiary of the Company, respectively and vested immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. SHARE-BASED PAYMENTS *(continued)*

Share Option Scheme of AGP

The share option scheme of AGP (the “AGP Share Option Scheme”) was approved by the shareholders of the Company on 27 May 2010 and by the board of directors of AGP (the “AGP Board”) on 28 May 2010 and came into effect on 16 August 2010. Unless terminated earlier by the AGP Board, the AGP Share Option Scheme shall be valid and effective for a term of 10 years until 15 August 2020.

Under the AGP Share Option Scheme, the AGP Board (or any committee delegated by the AGP Board) may offer to the eligible participants options to subscribe for shares of AGP at a price at least the highest of (i) the closing price of the share of AGP on the AIM Market of London Stock Exchange plc. (the “AIM Market”) on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP.

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant in any 12-month period, exceeding 1% of the shares of AGP then in issue; and (b) a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period, exceeding 0.1% of the shares of AGP then in issue and with an aggregate value exceeding HK\$5 million (or its equivalent amount in British Pound).

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$10 (or its equivalent amount in British Pound or United States dollars). The period during which an option may be exercised is determined by the AGP Board (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the AGP Board (or any committee delegated by the AGP Board) at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

No option was granted since the commencement of the AGP Share Option Scheme.

Notes to the Consolidated Financial Statements

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40. SHARE-BASED PAYMENTS *(continued)*

Share Award Scheme of AGP

The share award scheme of AGP (the “AGP Share Award Scheme”) was approved by the shareholders of the Company on 27 May 2010 and by the AGP Board on 28 May 2010 and came into effect on 16 August 2010. Unless terminated earlier by the AGP Board, the AGP Share Award Scheme shall be valid and effective for a term of 15 years until 15 August 2025.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the AGP Share Award Scheme). Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and is listed on the AIM Market from time to time; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted since the commencement of the AGP Share Award Scheme.

41. RETIREMENT BENEFIT PLANS

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee’s basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs to the scheme for members of the MPF Scheme, depending on the length of service with the Group.

The employees of the Group’s subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC.

The total contribution paid to the retirement benefit schemes by the Group charged to profit or loss for the year amounted to HK\$7,523,000 (2012:HK\$7,306,000). No forfeited contributions has been used to reduce the level of contributions in both years.

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42. RELATED PARTY TRANSACTIONS

- (a) Details of the loans to joint ventures and interest income therefrom are disclosed in the consolidated statement of financial position and notes 31 and 12 respectively.
- (b) The remuneration of directors who are the Group's key management personnel is set out in note 14.

The remuneration of directors and key executives is determined/recommended to the Board for approval by the remuneration committee having regard to the performance of individuals and market trends.

43. PRINCIPAL SUBSIDIARIES

| Name of subsidiary | Place/country of incorporation/operation | Issued and paid up share capital/registered capital | Effective % of issued share capital/registered capital held by the Company | | Principal activities |
|--|---|---|--|------|---|
| | | | 2013 | 2012 | |
| <i>Direct subsidiaries</i> | | | | | |
| SEABO Pacific Limited | Bermuda/PRC | 767,919 ordinary shares of HK\$1 each | 100 | 100 | Investment holding |
| South-East Asia Investment And Agency Company, Limited | Hong Kong | 10,000,000 ordinary shares of HK\$1 each | 100 | 100 | Provision of corporate and property management services |
| <i>Indirect subsidiaries</i> | | | | | |
| AGP (Diamond Hill) Limited | Hong Kong | 2 ordinary shares of HK\$1 each | 97 | 97 | Property development |
| AGP (Sha Tin) Limited | Hong Kong | 1 ordinary share of HK\$1 | 97 | 97 | Property development |
| Asian Growth Properties Limited | British Virgin Islands ("B.V.I.")/Hong Kong | 886,347,812 ordinary shares of US\$0.05 each | 97 | 97 | Investment holding |
| Chengdu Huashang House Development Co., Ltd.* 成都華商房屋開發有限公司 | PRC | RMB200,000,000 registered capital | 97 | 97 | Property investment |
| Chengdu Yulong No.1 Property Development Company Limited* 成都裕龍壹號房地產開發有限公司 | PRC | RMB275,000,000 registered capital | 97 | 97 | Property development |
| Chengdu Yulong No.2 Property Development Company Limited* 成都裕龍貳號房地產開發有限公司 | PRC | RMB80,000,000 registered capital | 97 | 97 | Property development |

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For the year ended 31 December 2013

43. PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary | Place/country of incorporation/operation | Issued and paid up share capital/registered capital | Effective % of issued share capital/registered capital held by the Company | | Principal activities |
|--|--|---|--|------|---|
| | | | 2013 | 2012 | |
| <i>Indirect subsidiaries (continued)</i> | | | | | |
| Chengdu Yulong No.3 Property Development Company Limited* 成都裕龍叁號房地產開發有限公司 | PRC | RMB450,000,000 registered capital | 97 | 97 | Property development |
| Concord Way Limited | Hong Kong | 100 ordinary shares of HK\$1 each | 97 | 97 | Hotel operation |
| Giant Well Enterprises Limited | B.V.I./ Hong Kong | 1 ordinary share of US\$1 | 97 | 97 | Investment holding |
| Grace Art Development Limited | Hong Kong | 1 ordinary share of HK\$1 | 97 | 97 | Treasury services |
| Guangzhou Yingfat House Property Development Co., Ltd. ** 廣州市盈發房產發展有限公司 | PRC | US\$20,110,000 registered capital | 97 | 97 | Property development and investment |
| Harvest Hill Limited | Hong Kong | 2 ordinary shares of HK\$1 each | 97 | 97 | Financing |
| Huangshan City Huizhou District Feng Dan Bailu Investment and Development Company Limited* 黃山市徽州區楓丹白露投資開發有限公司 | PRC | RMB35,000,000 registered capital | 97 | 97 | Property and tourist leisure facilities development |
| Kaifeng International City No.1 Realty Development Company Limited* 開封國際城一號實業開發有限公司 | PRC | US\$76,500,000 registered capital | 97 | 97 | Property development |
| Kaifeng International City No.5 Realty Development Company Limited* 開封國際城五號實業開發有限公司 | PRC | US\$42,450,000 registered capital | 97 | 97 | Property development |
| Kingston Pacific Investment Limited | B.V.I./ Hong Kong | 100 ordinary shares of US\$1 each | 53 | 53 | Property development |
| Leighton Road Hotel Management Services Limited | Hong Kong | 1 ordinary share of HK\$1 | 97 | 97 | Hotel operation |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

43. PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary | Place/country of incorporation/operation | Issued and paid up share capital/registered capital | Effective % of issued share capital/registered capital held by the Company | | Principal activities |
|---|--|---|--|------|--|
| | | | 2013 | 2012 | |
| <i>Indirect subsidiaries (continued)</i> | | | | | |
| Nanjing Hushu Ecology Travel Development Co., Ltd. [@] 南京湖熟生態旅遊發展有限公司 | PRC | RMB100,000,000 registered capital | 50 | 50 | Property, cultural and tourism development |
| Nanjing Taligang Tourist Leisure Facilities Company Limited [@] 南京搭里崗旅遊開發有限公司 | PRC | RMB35,000,000 registered capital | 50 | 50 | Property, cultural and tourism development |
| SEA Island Holdings Pty. Limited | Australia | A\$320,000 paid up share capital | 100 | 50 | Property investment |
| Shine Concord Investments Limited | Hong Kong | 1 ordinary share of HK\$1 | 97 | 97 | Hotel operation |
| Sino Harvest Real Estate Development (Chengdu) Company Limited* 漢泰房地產開發(成都)有限公司 | PRC | US\$3,000,000 registered capital | 97 | 97 | Property investment |
| Sky Trend Investments Limited | Hong Kong | 2 ordinary shares of HK\$1 each | 97 | 97 | Hotel operation |
| Sunfold Development Limited | Hong Kong | 1 ordinary share of HK\$1 | 97 | 97 | Hotel operation |
| Wing Siu Company Limited | Hong Kong | 2 ordinary shares of HK\$1 each | 97 | 97 | Property investment |

* Wholly foreign owned enterprises.

** The Group is entitled to the remaining profit/asset after the PRC partner's entitlement which is the higher of a fixed sum of return or 5% of the profit generated from the related property development project.

@ Sino-foreign equity joint venture.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities at the end of the year.

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(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)