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CORPORATE INFORMATION

DIRECTORS

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Madam YUNG HO Wun Ching
Madam Vivian HSU
Mr. David CHOW Kai Chiu

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

COMPANY SECRETARY

Mr. HUEN Po Wah

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

HONG KONG OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

TRANSFER AGENT

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

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31st December, 2013 amounted to HK$183,396,000. Basic profit per share was HK35 cent.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31st December, 2013 (2012: HK0.5 cent per share). The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Friday, 18th July, 2014 (the "AGM"), will be payable on or before Thursday, 18th September, 2014 to the Members on the register of members of the Company on Tuesday, 29th July, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16th July, 2014 to Friday, 18th July, 2014, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday,15th July, 2014.

The register of members of the Company will be closed from Friday, 25th July, 2014 to Tuesday, 29th July, 2014, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 24th July, 2014.

BUSINESS REVIEW

Electric Fans

The Group's ceiling fans business in 2013 fell slightly compared to that of the same period last year, as the Group tapered off the business from the American market in the second half year in an effort to trim operating costs for the ceiling fans business.

Sales to Australia recorded an increase, with business in African and Asian markets remaining stable, thus resulting in a mild improvement in the gross profit margin.

We expect that the ceiling fans business will continue to provide a positive contribution to the Group with the pressure of the global economic downturn gradually easing up in the next couple of years.

Contract Manufacturing — Optics and Imaging

Sales volume and turnover of the Group's Optics and Imaging Contract Manufacturing business edged down slightly in 2013 compared to 2012. The Group is confident to remain sustainable growth in the business by developing new designs in the coming year.

Contract Manufacturing — Electric and Electronics

The overall sales volume and turnover for year 2013 had increased year on year due to steady growth of order intake in Electric and Electronics Division. Sales orders of Hearing Aids products remained stable. While Telephone products recorded a decline in sales, largely as a result of lackluster orders, it did not affect the overall performance of Electric and Electronics Division.

LED Lighting Products

During the period under review, the LED Lighting products recorded a growth in turnover but the business continued to operate at a loss. This division has been restructured by the end of 2013.

Taxi Operation

Guangzhou SMC Car Rental Company Limited continued to actively implement the contractual rental operating model to replace the leasing license model to such an extent that all leasing license model would be brought to a halt by the end of 2014. During the year, the number of vehicles under the contractual rental operating model jumped to 776 from 694. The company currently owns 792 Guangzhou taxi operating licenses and holds 35 taxi operating licenses with a 5-year operating term allocated from the Guangzhou Government, making a total of 827 taxi licenses. For strategic growth in the future, the company will acquire additional taxi operating licenses, consider acquiring other taxi rental companies and further secure allocation of taxi operating licenses offered by the Guangzhou Government via competition from time to time.

Real Estate Investment & Development

PRC

The manufacturing facility in Shenzhen was disposed of while further investments were extended to acquiring additional stakes in the Guangzhou CITIC Plaza office property portfolio and exploring opportunities in selective other new development projects in the People's Republic of China (the "PRC").

United States

During 2013, occupancy rate of the office complex in Livermore, California, dropped slightly due to lease expiration and tenants did not renew due to the depressed economy.

Rental rates for office complex in the TriValley area is expected to remain stable. Even though the economy is slowly recovering from the deep recession, a few mergers in the area will release rental space in millions of square feet into the market in the next two years, which will increase the vacancy and further suppress the rental rates.

Hong Kong

Due to the government's continuous tightening measures aimed at curbing property speculation, the overall property market during the year under review remained subdued. Fuelled by rising construction costs, the Group decided to shelve the revitalization project of its headquarters Shell Industrial Building at 12 Lee Chung Street, Chai Wan, Hong Kong, to pave the way for intense property renovation and optimization that would generate a steady and improved stream of rental income with relatively lower costs and risks.

The Group had started to acquire lands in the New Territories for the development of low density residential properties and other developments since 2010. As at the end of 2013, an aggregate of 15,144.11 sq. m. had been acquired by the Group. In the past year, the Group focused only on land planning work without acquiring any further new projects in the New Territories.

Technology Investment

Semiconductor Device Products

2013 continued to be a strong year for PFC with year-over-year revenue increase of 40%. The company has significantly expanded its sales channel and network in China, Taiwan and Korea. PFC saw significant revenue increases in its green energy sector with key penetration into Samsung and Phillips LED lighting solutions. The company also launched the Power Mosfet product line with expected revenue in first half of 2014.

Enterprise Software Solutions

2013 marked an exciting year for Appeon. Three major events took place during the year. First, the company successfully launched its new mobile application development platform for SAP customers (Appeon for PowerBuilder). Second, SAP AG completed its integration of Sybase Inc. and announced that PowerBuilder would become an official SAP product. Third, Appeon's Web development software was successfully deployed at the largest site — a European government tax office with over 30,000 concurrent users. As a result of these three major events, the company posted the largest revenue in its history, with forecasts of steady demand for its products and services in the coming years.

Financial Investment

For the year ended 31st December, 2013, the Group's financial investment activities recorded loss of approximately HK$57,950,000 and the market value of the Group's financial investment holdings amounted to about HK$680,607,000.

Hong Kong and PRC Market

During the year the Group repositioned certain of its PRC businesses. The LED lighting products business has streamlined with a focus more on meeting the demands of the PRC market. The businesses in Hong Kong were stable. Overall, the turnover contribution from the PRC market is expected to increase gradually as the effects of these changes take place.

REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2013 totalled HK$1,182 million, representing a decrease of HK$35 million or 2.9% compared to HK$1,217 million for the corresponding period last year. The decrease in revenue stemmed mainly from the decrease in sales of Electric Fans and laser scanner units.

Profit attributable to the owners of the company for the year ended 31st December, 2013 slid from HK$213 million to HK$183 million representing a decrease of HK$30 million or 14% over the corresponding period last year. The plunge in profit was mainly attributable to (i) increase in fair value loss of HK$186 million on securities trading and derivative financial instruments within the Group ; partly offset by (ii) increase in fair value gain (net of deferred taxation and non-controlling interest) of HK$100 million on certain investment properties in the PRC ; and (iii) a write back of tax penalty HK$58 million for the year ended 31st December, 2013.

FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The U.S. long term loan of totally US$11.8 million was secured by certain assets of the group located in the United States. In addition, the Group utilized certain long-term loans totalling HK$892 million. Apart from the above, all banking facilities of the Group were arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2013, calculated as operating profit divided by total interest expenses net of interest income, stood at 26 times (31st December, 2012: 185 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group continued to conduct its sales mainly in US dollars and make payments either in US dollars or Hong Kong dollars. So far as the Hong Kong dollars and the US dollars remained pegged, the Group considered that it had no significant exposure to foreign exchange risk.

GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2013, the Group recorded a 14.63% gearing ratio (31st December, 2012: 6.07%), expressed as a percentage of total bank borrowings net of cash and pledged cash deposits to total equity of the Group.

CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totaling HK$2.3 million for Semiconductor Device products manufacturing. In addition, the Company issued guarantees to the banks amounting to HK$489 million to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK$1,740 million during the period under review.

During the period under review, the Group had charges on assets totalling HK$1,825 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, China Dynasty Development Ltd. to a bank to secure a long-term loan granted to the Group.

EMPLOYEES

As at 31st December, 2013, the Group has approximately 3,042 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances, property leasing, property investment and development, taxi rental and securities trading. Details of the activities of its principal subsidiaries, associates and joint ventures are set out in note 55 to note 57 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated income statement on page 10.

Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommends the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on Tuesday, 29th July, 2014, thus giving rise to a final dividend distribution amounting to HK$2,617,000.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 41 to the financial statements.

RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 14 and note 42 to the financial statements respectively.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2013, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to HK$2,617,000 (2012 : HK$2,617,000).

DONATIONS

During the year, the Group made charitable and other donations totalling HK$17,059,000 (2012: HK$12,828,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company are set out in note 15 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Billy K Yung
Madam Yung Ho Wun Ching
Madam Vivian Hsu
Mr. David Chow Kai Chiu

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. David Chow Kai Chiu and Madam Yung Ho Wun Ching shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Every Director is subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2013, the five largest customers accounted for approximately 60% of the total sales of the Group's turnover, of which 24% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for less than 36% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2013.

AUDITOR

The financial statements for the year ended 31st December, 2013 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

Mr. Billy K Yung
Chairman

Hong Kong, 12th June, 2014

The Company is firmly committed to maintaining a high standard corporate governance practices and adhering to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The board of directors of the Company (the "Board") will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board comprises of four members and supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. There is a clear division of responsibilities between the Board and the management. The Board is responsible for overseeing the Group's overall strategic plans, approval of major funding and investment proposals and reviewing the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the Committee of the Directors comprising of two members, namely Mr. Billy K Yung and Mr. David Chow Kai Chiu.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Billy K Yung is the Group Chairman and the Chief Executive Officer. The Board considers that the structure is more conducive to the efficient formulation and implementation of the Company's strategies.

NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year to fill casual vacancy shall retire and submit themselves for re-election immediately following his/her appointment at the first general meeting or at the next following annual general meeting of the Company in the case of an addition to the existing Board. Further, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

As such, the Company considers that sufficient measures have been taken to ensure that the formal and transparent process for the nomination and appointment of Directors is maintained.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board is charged with the responsibility of determining the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Board takes into account the performance of the Group as well as those individual Directors and key executives.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the auditor that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 9.

The Board has reviewed with management and auditor of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2013.

The Board has recommended that BDO Limited, Certified Public Accountants, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records maintained, appropriate legislation and regulations complied with, reliable financial information provided for management and publication purposes and investment and business risks affecting the Group identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Board has conducted a review of the effectiveness of the system of internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board considers that the Group's internal control system is satisfactory.

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TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED
蜆壳電器控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 10 to 76, which comprise the consolidated and company statements of financial position as at 31st December, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and 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. This report is made solely to you, as a body, in accordance with Section 90 of the 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 Company and of the Group as at 31st December, 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 12th June, 2014

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Revenue	*5*	**1,181,538**	1,216,543
Cost of sales and services provided		**(971,800)**	(997,316)
Gross profit		**209,738**	219,227
Other income	*7*	**49,063**	51,893
Distribution and selling expenses		**(18,843)**	(18,620)
Administrative expenses		**(218,626)**	(193,142)
Other operating expenses		**(3,923)**	(67,127)
Other gains/(losses)			
Fair value gain on investment properties	*14*	**30,479**	96,203
Gain on disposal of investment properties	*14(a)*	**106,207**	—
Fair value (loss)/gain on investments held for trading		**(74,350)**	107,936
Fair value gain on derivative financial instruments		**937**	4,953
Impairment loss on available-for-sale financial assets		**—**	(1,334)
Gain arising from acquisition of a subsidiary	*44*	**31,324**	—
Gain arising from disposal of an associate, net	*45*	**17,818**	—
Others		**(1,029)**	4,120
Operating profit		**128,795**	204,109
Finance costs	*9*	**(25,813)**	(22,048)
Share of results of associates		**162,095**	61,861
Share of results of joint ventures		**2,222**	3,752
Profit before income tax	*8*	**267,299**	247,674
Income tax expense	*10*	**(85,210)**	(35,634)
Profit for the year		**182,089**	212,040
Profit for the year attributable to:			
Owners of the Company		**183,396**	212,635
Non-controlling interests		**(1,307)**	(595)
		182,089	212,040
		HK Cents	HK Cents
Earnings per share			
— Basic and diluted	*13*	**35.0**	40.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**182,089**	212,040
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising from translation of overseas operations		
— subsidiaries	**16,284**	32,621
— associates and joint ventures	**6,771**	86
Reclassification adjustment for translation differences recycled to profit or loss upon written-off of overseas operations	**—**	(1,212)
Reclassification adjustment of translation reserve recycled to profit or loss upon disposal of an associate	**14,132**	—
Fair value changes on available-for-sale financial assets	**(32,145)**	51,100
Other comprehensive income for the year, net of tax	**5,042**	82,595
Total comprehensive income for the year	**187,131**	294,635
Total comprehensive income attributable to:		
Owners of the Company	**188,353**	295,209
Non-controlling interests	**(1,222)**	(574)
	187,131	294,635

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2013

	NOTES	As at 31st December, 2013 HK$'000	As at 31st December, 2012 HK$'000
Non-current assets			
Investment properties	14	**2,225,443**	875,776
Property, plant and equipment	15	**277,154**	268,513
Prepaid lease rental on land	16	**9,609**	9,612
Prepayments for acquisition of property, plant and equipment		**3,300**	2,716
Goodwill	17	**4,393**	4,393
Other intangible assets	18	**237,216**	229,528
Interests in associates	20	**174,571**	594,388
Interests in joint ventures	21	**9,585**	7,156
Available-for-sale financial assets	22	**134,283**	166,428
Other assets	23	**46,000**	42,897
Loans receivable	24	**47,486**	47,027
Finance lease receivables	25	**199**	1,554
Deferred tax assets	40	**—**	5,047
Derivative financial instruments	35	**74**	—
		3,169,313	2,255,035
Current assets			
Inventories of properties	26	**196,001**	195,123
Other inventories	27	**198,765**	177,521
Trade and other receivables, prepayments and deposits	28	**260,457**	245,827
Prepaid lease rental on land	16	**304**	295
Loans receivable	24	**320**	560
Amount due from an associate	30	**22,858**	397
Amounts due from investees	30	**831**	566
Amount due from non-controlling interest	30	**2,957**	2,867
Investments held for trading	31	**549,624**	567,657
Finance lease receivables	25	**1,403**	1,702
Tax prepaid		**727**	1,692
Derivative financial instruments	35	**46**	252
Restricted bank deposit	32(b)	**113,199**	—
Cash and bank balances	32(a)	**664,191**	464,078
		2,011,683	1,658,537
Current liabilities			
Trade and other payables	33	**362,511**	340,107
Amount due to a related party	34	**291**	291
Amount due to a director	34	**21,075**	24,500
Government grants		**1,001**	464
Consideration payable on acquisition of a subsidiary	44	**6,201**	—
Taxation liabilities		**189,803**	40,737
Bank borrowings	36	**602,595**	395,424
Other liabilities	37	**11,355**	4,354
		1,194,832	805,877
Net current assets		**816,851**	852,660
Total assets less current liabilities		**3,986,164**	3,107,695
Non-current liabilities			
Bank borrowings	36	**598,500**	233,260
Other liabilities	37	**14,229**	20,139
Loan from non-controlling interest	38	**5,112**	4,671
Government grants		**2,871**	1,393
Deferred tax liabilities	40	**468,424**	135,718
		1,089,136	395,181
Net assets		**2,897,028**	2,712,514
Capital and reserves			
Share capital	41	**82**	82
Reserves	42	**2,884,425**	2,699,565
Equity attributable to owners of the Company		**2,884,507**	2,699,647
Non-controlling interests	39	**12,521**	12,867
Total equity		**2,897,028**	2,712,514

BILLY K YUNG
Director

DAVID CHOW KAI CHIU
Director

STATEMENT OF FINANCIAL POSITION

As at 31st December, 2013

	NOTES	As at 31st December, 2013 HK$'000	As at 31st December, 2012 HK$'000
Non-current assets			
Investment properties	14	**68,900**	62,100
Property, plant and equipment	15	**5,751**	4,059
Interests in subsidiaries	19	**9,190**	9,530
Available-for-sale financial assets	22	**3,300**	3,300
Other assets	23	**46,000**	42,897
		133,141	121,886
Current assets			
Trade and other receivables, prepayments and deposits	28	**1,997**	1,555
Loans receivable	24	**320**	—
Amounts due from subsidiaries	29	**2,512,841**	1,678,935
Tax prepaid		**648**	—
Cash and bank balances	32(a)	**42,899**	14,177
		2,558,705	1,694,667
Current liabilities			
Trade and other payables	33	**29,338**	27,597
Amounts due to subsidiaries	29	**241,424**	29,299
Amount due to a director	34	**9,075**	12,500
Taxation liabilities		**—**	668
Bank borrowings	36	**435,904**	140,330
		715,741	210,394
Net current assets		**1,842,964**	1,484,273
Total assets less current liabilities		**1,976,105**	1,606,159
Non-current liabilities			
Bank borrowings	36	**598,500**	233,260
Deferred tax liabilities	40	**115**	41
		598,615	233,301
Net assets		**1,377,490**	1,372,858
Capital and reserves			
Share capital	41	**82**	82
Reserves	42	**1,377,408**	1,372,776
Total equity		**1,377,490**	1,372,858

BILLY K YUNG
Director

DAVID CHOW KAI CHIU
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2012	82	273,360	17,919	229,356	3,033	2,617	6,790	1,873,898	2,407,055	9,312	2,416,367
Profit for the year	—	—	—	—	—	—	—	212,635	212,635	(595)	212,040
Exchange difference arising from translation of overseas operations											
— subsidiaries	—	—	—	32,600	—	—	—	—	32,600	21	32,621
— associates and joint ventures	—	—	—	86	—	—	—	—	86	—	86
Reclassification adjustment for translation differences recycled to profit or loss upon written-off of overseas operations	—	—	—	(1,212)	—	—	—	—	(1,212)	—	(1,212)
Fair value changes on available-for-sale financial assets	—	—	51,100	—	—	—	—	—	51,100	—	51,100
Total comprehensive income for the year	—	—	*51,100*	*31,474*	—	—	—	*212,635*	*295,209*	*(574)*	*294,635*
Capital injection from non-controlling interest	—	—	—	—	—	—	—	—	—	4,129	4,129
Dividend paid *(note 12)*	—	—	—	—	—	(2,617)	—	—	(2,617)	—	(2,617)
Proposed final dividend *(note 12)*	—	—	—	—	—	2,617	—	(2,617)	—	—	—
Transactions with owners	—	—	—	—	—	—	—	*(2,617)*	*(2,617)*	*4,129*	*1,512*
At 31st December, 2012	82	273,360	69,019	260,830	3,033	2,617	6,790	2,083,916	2,699,647	12,867	2,712,514
At 1st January, 2013	**82**	**273,360**	**69,019**	**260,830**	**3,033**	**2,617**	**6,790**	**2,083,916**	**2,699,647**	**12,867**	**2,712,514**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**183,396**	**183,396**	**(1,307)**	**182,089**
Exchange difference arising from translation of overseas operations											
— subsidiaries	**—**	**—**	**—**	**16,199**	**—**	**—**	**—**	**—**	**16,199**	**85**	**16,284**
— associates and joint ventures	**—**	**—**	**—**	**6,771**	**—**	**—**	**—**	**—**	**6,771**	**—**	**6,771**
Reclassification adjustment of translation reserve recycled to profit or loss upon disposal of an associate *(note 45)*	**—**	**—**	**—**	**14,132**	**—**	**—**	**—**	**—**	**14,132**	**—**	**14,132**
Fair value changes on available-for-sale financial assets	**—**	**—**	**(32,145)**	**—**	**—**	**—**	**—**	**—**	**(32,145)**	**—**	**(32,145)**
Total comprehensive income for the year	**—**	**—**	***(32,145)***	***37,102***	**—**	**—**	**—**	***183,396***	***188,353***	***(1,222)***	***187,131***
Changes in non-controlling interest in a subsidiary as an equity transaction	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(876)**	**(876)**	**876**	**—**
Dividend paid *(note 12)*	**—**	**—**	**—**	**—**	**—**	**(2,617)**	**—**	**—**	**(2,617)**	**—**	**(2,617)**
Proposed final dividend *(note 12)*	**—**	**—**	**—**	**—**	**—**	**2,617**	**—**	**(2,617)**	**—**	**—**	**—**
Transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	***(3,493)***	***(3,493)***	***876***	***(2,617)***
At 31st December, 2013	**82**	**273,360**	**36,874**	**297,932**	**3,033**	**2,617**	**6,790**	**2,263,819**	**2,884,507**	**12,521**	**2,897,028**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Profit before income tax	**267,299**	247,674
Adjustments for:		
Share of results of associates	**(162,095)**	(61,861)
Share of results of joint ventures	**(2,222)**	(3,752)
Gain arising from acquisition of a subsidiary	**(31,324)**	—
Gain arising from disposal of an associate, net	**(17,818)**	—
Fair value gain on investment properties	**(30,479)**	(96,203)
Fair value loss/(gain) on investments held for trading	**74,350**	(107,936)
Fair value gain on derivative financial instruments	**(937)**	(4,953)
Depreciation and amortisation	**42,205**	37,358
Government grants	**(643)**	(463)
(Reversal of impairment loss)/Impairment loss on financial assets	**(12,485)**	57,699
Allowance of inventories	**11,225**	4,412
Interest income	**(10,264)**	(14,722)
Interest expenses	**15,302**	15,826
Loss/(Gain) on disposal of property, plant and equipment	**685**	(278)
Gain on disposal of investment properties	**(106,207)**	—
Write-off of property, plant and equipment	**10**	237
Exchange difference	**(105)**	(4,049)
Operating cash flows before movements in working capital	**36,497**	68,989
Increase in inventories of properties	**(878)**	(2,927)
Increase in other inventories	**(28,903)**	(17,955)
(Increase)/Decrease in trade and other receivables, prepayments and deposits	**(14,352)**	14,912
Decrease in amount due from an associate	**98**	4
Increase in amounts due from investees	**(1,770)**	(855)
Increase in amount due from non-controlling interest	**—**	(2,867)
Decrease in derivative financial instrument	**1,069**	—
Decrease/(Increase) in finance lease receivables	**1,654**	(3,256)
Increase in investments held for trading	**(42,848)**	(28,013)
(Decrease)/Increase in trade and other payables	**(14,497)**	13,052
(Decrease)/Increase in amount due to a director	**(3,425)**	24,500
Cash (used in)/generated from operations	**(67,355)**	65,584
Hong Kong profits tax refunded/(paid), net	**55**	(5,335)
Tax paid in other jurisdictions	**(21,039)**	(9,369)
Net cash (used in)/generated from operating activities	**(88,339)**	50,880

For the year ended 31st December, 2013

	2013	2012
	HK$'000	HK$'000
Investing activities		
Proceeds from disposal of equity interests in an associate, net *(note 45)*	**31,808**	—
Proceeds from disposal of investment properties	**493,536**	—
Proceeds from disposal of property, plant and equipment	**737**	1,581
Interest element of finance lease receivables	**93**	8
Interest received	**11,825**	13,905
Dividend received from associates	**53,078**	32,937
Dividend received from a joint venture	**—**	2,644
Purchase of property, plant and equipment	**(45,699)**	(56,152)
Purchase of investment properties	**(3)**	(318)
Payment for purchase of antiques, net	**(3,103)**	(4,451)
Payment for acquisition of additional interest in a subsidiary *(note 44)*	**(721,955)**	—
Repayment of loans receivable, net	**14,845**	7,367
Additions to available-for-sale of financial assets	**—**	(1,097)
Increase in bank deposits maturing beyond three months	**13,858**	25,423
Decrease in pledged cash deposits	**—**	3,032
Increase in restricted bank deposit	**(113,199)**	—
Net cash (used in)/generated from investing activities	**(264,179)**	24,879
Financing activities		
New bank and other borrowings	**1,269,270**	646,091
Repayment of bank borrowings	**(696,781)**	(627,158)
Dividends paid	**(2,617)**	(2,617)
Interest paid	**(14,013)**	(15,273)
Capital contribution from non-controlling interest	**—**	4,129
Net cash generated from financing activities	**555,859**	5,172
Net increase in cash and cash equivalents	**203,341**	80,931
Cash and cash equivalents at 1st January	**354,631**	273,737
Effect of foreign exchange rate change	**10,630**	(37)
Cash and cash equivalents at 31st December	**568,602**	354,631
Analysis of the balances of cash and cash equivalents		
Cash and bank balances as stated in consolidated statement of financial position	**664,191**	464,078
Less: short-term deposits with maturity beyond three months but within one year	**(95,589)**	(109,447)
Cash and cash equivalents at 31st December	**568,602**	354,631

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances, property leasing, property investment and development, taxi rental and securities trading.

The financial statements on pages 10 to 76 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements for the year ended 31st December, 2013 were approved for issue by the board of directors on 12th June, 2014.

2. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1st January, 2013

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st January, 2013:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

HKFRSs (Amendments) Annual Improvements 2009–2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) Annual Improvements 2010–2012 Cycle

The Basis of Conclusions for HKFRS 13 *Fair Value Measurement* was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31st December, 2013. Items of other comprehensive income that may and may not be reclassified to profit or loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1st January, 2013 *(Continued)*

Amendments to HKFRS 7 Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (note 3.3).

The adoption of HKFRS 10 does not have any material impact on the Group’s financial position or performance.

HKFRS 11 Joint Arrangements

Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). HKFRS 11 does not allow proportionate consolidation of a joint venture arrangement. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. The Group has changed its accounting policy for joint arrangements (see note 3.4)

Previously, the Group’s investments in Appeon Corporation (HK) Limited (“Appeon HK”) and 艾普陽軟件(深圳)有限公司(“艾普陽軟件”) were classified as jointly controlled entities under HKAS 31 *Interest in Joint Ventures* and accounted for using equity method. During the year, the Group has reassessed its investments in Appeon HK and 艾普陽軟件 and determined that they are to be classified as joint ventures under HKFRS 11 and continued to be accounted for using the equity method.

The reclassification does not have any material impact of the Group’s financial position or performance as the investment continues to be accounted for using equity method.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

HKFRS 12 disclosures are provided in notes 19, 20, 21 and 39. As the new standard affects only disclosure, there is no effect on the Group’s financial position and performance.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1st January, 2013 *(Continued)*

HKFRS 13 Fair Value Measurements

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 *Financial Instruments: Disclosures*.

HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in notes 14 and 53. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New or revised HKFRSs that have been issued but not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9, HKFRS7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS12 and HKAS 27 (2011)	Investment Entities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
HK (IFRIC) 21	Levies[1]
HKFRS (Amendments)	Annual Improvements 2010–2012 Cycle[3]
HKFRS (Amendments)	Annual Improvements 2011–2013 Cycle[2]

1. *Effective for annual periods beginning on or after 1st January, 2014*
2. *Effective for annual periods beginning on or after 1st July, 2014*
3. *Effective for annual periods beginning, or transactions occurring, on or after 1st July, 2014*
4. *Effective for annual periods beginning on or after 1st January, 2016*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1st January 2015 effective date for HKFRS 9.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but not yet effective *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organizations, venture capital organizations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 *Consolidated Financial Statements* and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Amendments to HKAS 36 Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

HK (IFRIC) 21 Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. Among them, HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs. The directors of the Company do not anticipate that these new or revised HKFRSs will have any material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 3.3 below) made up to 31st December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stage, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent changes to contingent consideration classified as an asset or a liability are recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 3.5.

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interest, and also the cumulative translation differences recorded in equity. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

— power over the investee;

— exposure, or rights, to variable returns from the investee; and

— the ability to use its power to affect those variable returns.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Associates and Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

— the structure of the joint arrangement;

— the legal form of joint arrangements structured through a separate vehicle;

— the contractual terms of the joint arrangement agreement; and

— any other facts and circumstances (including any other contractual arrangements).

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Interests in associates and joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates and joint ventures' net assets except that losses in excess of the Group's interest in the associates and joint venture are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates and joint venture are recognised only to the extent of unrelated investors' interests in the associate and joint venture. The investor's share in the associates and joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate and joint venture. Where unrealized losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for investment in an associates and a joint ventures above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in associate and joint venture. Where there is objective evidence that the investment in an associate and a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognising the Group's share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in associates and joint ventures are stated at cost less impairment losses, if any. Results of the associate and joint venture are accounted for by the Company on the basis of dividends received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and joint ventures, respectively, rather than recognised as a separate asset on the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the reporting date or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.13). On subsequent disposal of a subsidiary, associate or joint ventures, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

3.6 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognised immediately in profit or loss.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3.29(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.13). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement. Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	**Annual rates**
Land and buildings *(note 3.12)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment *(Continued)*

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss.

3.9 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.13) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually (note 3.13) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

Patent

Separately acquired patent is shown at historical cost. Patent acquired in a business combination is recognised at fair value at the acquisition date. Patent has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent over its estimated useful live of eight years.

3.11 Other assets

Other assets represent antiques held for long-term investment purposes and are stated at cost less accumulated impairment losses.

3.12 Leases

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

The Group as lessor

Assets leased by the Group under operating leases are included in non-current asset, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Leases *(Continued)*

The Group as lessee

Rentals payable under the operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms. Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to profit or loss on completion of development of such properties.

3.13 Impairment of non-financial assets

Goodwill, other intangible assets, other assets, property, plant and equipment, prepaid lease rental on land and interests in subsidiaries, associates and joint ventures are subject to impairment testing. Goodwill, other intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Investments and other financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised and derecognised on trade date. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the statement of financial position and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 3.29.

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from equity. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 3.29.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Investments and other financial assets *(Continued)*

Available-for-sale financial assets *(Continued)*

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

When the fair value of unlisted equity securities cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

3.15 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Impairment of financial assets *(Continued)*

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Impairment losses in respect of debt instruments are reversed through profit or loss if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.16 Inventory of properties

Inventory of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.12), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.17 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.18 Foreign currencies

The financial statements is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the reporting date are translated into HK$ at exchange rate prevailing on the reporting date. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.20 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are nonassessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.21 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

3.22 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.21). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss which are measured at fair value. Changes in fair value are recognised in profit or loss in the period in which they arise. The net fair value gain or loss recognised in profit or loss does not include interest charged on these financial liabilities.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

3.23 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.26 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.24 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 Share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instrument at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

3.26 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.27 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.28 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.29 Recognition of revenue and other income

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

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(v) Taxi rental, licence and management fee income is recognised in accordance with the substance of the licence and management agreement when the taxi licence holders' right to receive payment has been established and the relevant services are delivered. Income received in advance which is attributable to the whole licencing contract arrangement is deferred as deferred income under current liabilities and amortised over the period of the licence contract.

(vi) Handling fee income and service income is recognised on an appropriate basis over the relevant period in which the services are rendered.

3.30 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset. The grant is recognised as deferred income which released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

3.31 Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or of a parent of the Group.

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.31 Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

3.32 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Key sources of estimation uncertainty

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

Fair value of investment properties

As disclosed in note 14, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Please refer to note 14 for more detailed information in relation to fair value measurement of investment properties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Key sources of estimation uncertainty *(Continued)*

Impairment of assets

The Group reviews at least annually and assesses whether goodwill, taxi licences with indefinite useful lives and antiques have suffered any impairment. Other assets including property, plant and equipment, prepaid lease rental on land and intangible assets with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill, taxi licenses and antiques are set out in notes 17, 18 and 23 respectively.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer or debtor. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various PRC cities. The Group recognised income tax and other taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

4.2 Critical judgements in applying accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgement.

Joint arrangements

As at 31st December, 2013, the Group held 51.18% interest (average of aggregate in 50% of Class A voting shares and 52.36% of Class B non-voting shares) of Appeon HK, which is a joint arrangement. The Group has joint control over Appeon HK as under the contractual agreements, as unanimous consent is required from all parties to the agreements for the relevant activities.

Appeon HK is structured as limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangement. Therefore, based on the judgement of the management, this arrangement is classified as a joint venture. Further details of the Group's joint arrangements are set out in note 21.

5. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2013 HK$'000	2012 HK$'000
Sales of goods	**1,016,827**	1,059,386
Taxi rental, licence and management fee income	**121,740**	111,960
Property rental income	**42,971**	45,197
Total revenue	**1,181,538**	1,216,543

During the year ended 31st December, 2013, the Group's revenue of HK$566,104,000 (2012: HK$610,138,000) or 47.9% (2012: 50%) was derived from a single customer as well as its designated suppliers and the revenue of which is reported under the segment of "Electrical appliances". The revenue was derived from the sale transactions conducted directly with that single customer as well as the sale transactions conducted with the designated suppliers of that single customer.

6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Electrical appliances	—	This segment manufactures electrical appliances including electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser and laser scanner. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in PRC and overseas such as North America and European countries.
Property leasing	—	This segment leases industrial properties and commercial units located in Hong Kong, other region of the PRC and the United States to generate rental income and gain from appreciation in the properties' values in long-term. Part of the business is carried out through certain associates.
Property investment and development	—	This segment constructs residential properties in Hong Kong for external customers.
Securities trading	—	This segment mainly carries out trading of securities and other instruments to generate gain from appreciation in securities and other instruments.
Taxi rental	—	This segment carries out taxi rental operation in the PRC and generates rental, licence and management fee income.
All other segments	—	Operating segments which are not reportable comprise design and trading of semiconductors and electric components and trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amount due to related parties, bank borrowings and other liabilities directly attributable to the business activities of operating segments and exclude tax liabilities, corporate liabilities and liabilities that are managed on a group basis.

6. SEGMENT INFORMATION *(Continued)*

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including reportable segment revenue, segment profit/(loss), segment assets, segment liabilities, the reconciliations to revenue, profit before income tax, total assets and total liabilities, and other segment information are as follows:

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2013							
Reportable segment revenue*	936,886	42,971	–	–	121,740	79,941	1,181,538
Reportable segment profit/(loss)	84,116	300,841	(23)	(57,950)	39,975	(14,265)	352,694
Corporate income							7,566
Corporate expenses							(92,961)
Profit before income tax							267,299
							Total HK$'000
As at 31st December, 2013							
Reportable segment assets	620,045	2,488,446	196,583	683,061	390,713	221,769	4,600,617
Property, plant and equipment							68,585
Other assets							46,000
Available-for-sale financial assets							3,300
Tax assets							727
Other corporate assets							461,767
Total consolidated assets							5,180,996
As at 31st December, 2013							
Reportable segment liabilities	246,073	194,826	102	25	56,677	28,019	525,722
Bank borrowings							1,044,943
Tax liabilities							658,227
Other corporate liabilities							55,076
Total consolidated liabilities							2,283,968

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:								
Year ended 31st December, 2013								
Interest income	402	23	51	906	736	1,414	6,732	10,264
Finance costs	1,559	4,078	–	752	1,411	332	17,681	25,813
Depreciation and amortisation	14,321	–	–	–	19,854	2,741	5,289	42,205
(Impairment losses)/Reversal of impairment losses recognised in profit or loss	12,743	(269)	–	–	22	(11)	–	12,485
Allowance for other inventories	8,838	–	–	–	–	2,387	–	11,225
Fair value gain on investment properties	–	30,479	–	–	–	–	–	30,479
Share of profit/(loss) of associates	–	171,004	–	–	–	(8,909)	–	162,095
Share of profit of joint ventures	–	–	–	–	–	2,222	–	2,222
Additions to specified non-current assets#	14,937	1,682,727	–	–	26,705	1,107	14,365	1,739,841
Write-off of property, plant and equipment	–	–	–	–	10	–	–	10
As at 31st December, 2013								
Interests in associates	–	174,571	–	–	–	–	–	174,571
Interests in joint ventures	–	–	–	–	–	9,585	–	9,585

6. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2012							
Reportable segment revenue*	1,001,911	45,197	—	—	111,960	57,475	1,216,543
Reportable segment profit/(loss)	(32,868)	193,339	(96)	129,815	33,884	(4,030)	320,044
Corporate income							8,858
Corporate expenses							(81,228)
Profit before income tax							247,674
							Total HK$'000
As at 31st December, 2012							
Reportable segment assets	579,425	1,476,842	195,881	747,268	401,307	124,016	3,524,739
Property, plant and equipment							73,361
Other assets							42,897
Available-for-sale financial assets							3,300
Tax assets							6,739
Other corporate assets							262,536
Total consolidated assets							3,913,572
As at 31st December, 2012							
Reportable segment liabilities	395,175	103,908	68	33,751	48,194	19,854	600,950
Bank borrowings							373,590
Tax liabilities							176,455
Other corporate liabilities							50,063
Total consolidated liabilities							1,201,058

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:								
Year ended 31st December, 2012								
Interest income	1,011	16	24	3,836	1,190	18	8,627	14,722
Finance costs	1,943	3,923	—	180	2,939	291	12,772	22,048
Depreciation and amortisation	13,041	5	—	—	18,468	1,967	3,877	37,358
(Impairment losses)/Reversal of impairment losses recognised in profit or loss	(57,398)	(215)	—	—	(143)	57	—	(57,699)
Allowance for other inventories	4,130	—	—	—	—	282	—	4,412
Fair value gain on investment properties	—	96,203	—	—	—	—	—	96,203
Share of profit/(loss) of associates	—	63,644	—	—	—	(1,783)	—	61,861
Share of profit of joint ventures	—	—	—	—	—	3,752	—	3,752
Additions to specified non-current assets#	17,160	318	—	—	15,970	6,008	22,900	62,356
Write-off of property, plant and equipment	—	—	—	—	—	237	—	237
As at 31st December, 2012								
Interests in associates	—	545,750	—	—	—	48,638	—	594,388
Interests in joint ventures	—	—	—	—	—	7,156	—	7,156

* *This represents sales revenue derived from external customers and there were no inter-segment sales between different business segments for the years ended 31st December, 2013 and 2012.*

\# *Specified non-current assets represent the Group's non-current assets excluding financial instruments and deferred tax assets.*

Certain comparative figures in the segment information for the year ended 31st December, 2012 has been reclassified to conform to current year's presentation.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, Asia other than the PRC, Australia, North America (comprising Canada and the United States) and Europe.

An analysis of the Group's revenue by geographical locations, determined based on locations to which the goods are delivered or the services are provided and locations of assets which give rise to the rental income, licence fee income and management fee income, is as follows:

	2013	2012
	HK$'000	HK$'000
Hong Kong	**45,956**	21,569
Other regions of the PRC	**597,117**	610,576
Asia, other than the PRC	**87,744**	93,549
Australia	**76,938**	69,347
North America	**241,446**	268,846
Europe	**71,148**	93,823
Others	**61,189**	58,833
	1,181,538	1,216,543

An analysis of the Group's specified non-current assets by geographical locations, determined based on location of the assets or location of operations in case of goodwill and interests in associates and joint ventures, is as follows:

	2013	2012
	HK$'000	HK$'000
Hong Kong	**424,529**	395,991
Other regions of the PRC	**2,356,038**	1,425,426
Asia, other than the PRC	**57,627**	61,391
North America	**149,077**	152,171
	2,987,271	2,034,979

7. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**6,981**	7,218
Loans to investees	**—**	728
Interest element of finance lease as lessor *(note 25)*	**93**	8
Others, including loans receivable	**3,190**	6,768
Total interest income on financial assets not at fair value through profit or loss	**10,264**	14,722
Dividends from listed equity securities	**15,576**	12,250
Other rental income	**281**	630
Handling fee income	**2,296**	5,964
Recharge of material cost to a customer	**4,043**	4,153
Recharge of freight costs to customers	**3,221**	2,698
Product engineering service to customers	**323**	2,784
Sundry income	**13,059**	8,692
	49,063	51,893

8. PROFIT BEFORE INCOME TAX

	2013 HK$'000	2012 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid lease rental on land	**302**	294
Amortisation of other intangible assets#	**1,849**	1,669
Depreciation of property, plant and equipment	**40,054**	35,395
Total amortisation and depreciation	**42,205**	37,358
Auditors' remuneration:		
Current year	**1,622**	1,624
Under provision in prior year	**(5)**	1
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**837,873**	871,490
Allowance for other inventories	**11,225**	4,412
Directors' remuneration	**23,777**	22,138
Donations	**17,059**	12,828
Loss/(gain) on disposal of property, plant and equipment	**685**	(278)
(Reversal of impairment loss)/Impairment loss on financial assets:		
Loans and receivables*	**(12,485)**	56,365
Available-for-sale financial assets	**—**	1,334
Net foreign exchange loss/(gain)	**545**	(3,654)
Operating lease charge on land and buildings	**4,663**	3,044
Outgoings in respect of investment properties	**14,905**	8,394
Net rental income	**(28,066)**	(36,803)
Research and development cost*^	**604**	907
Staff costs *(note 11)*	**201,813**	178,492
Write-off of property, plant and equipment	**10**	237

included in "Administrative expenses" and "Cost of sales and services provided" in the consolidated income statement
* *included in "Other operating expenses" in the consolidated income statement*
^ *excluding depreciation of property, plant and equipment and staff costs*

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charges on:		
Bank loans and overdrafts	**13,133**	14,331
Other liabilities	**2,169**	1,495
Total interest expense on financial liabilities not at fair value through profit or loss	**15,302**	15,826
Bank charges and arrangement fee	**10,511**	6,222
	25,813	22,048

10. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**332**	963
Other regions of the PRC	**165,571**	15,364
Others	**6**	7
	165,909	16,334
(Over)/Under provision in prior years		
Hong Kong profits tax	**(48)**	(2,892)
Other regions of the PRC	**30**	1,026
Others	**7**	—
	(11)	(1,866)
Deferred tax *(note 40)*		
PRC land appreciation tax ("LAT")	**(31,744)**	9,244
Other income tax	**(48,944)**	11,922
	(80,688)	21,166
	85,210	35,634

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Income tax arising from the PRC excluding Hong Kong is calculated at 10% to 25% (2012: 10% to 25%) of the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

The income tax expenses can be reconciled to the profit before income tax at applicable tax rates as follows:

	2013 HK$'000	2012 HK$'000
Profit before income tax	**267,299**	247,674
Tax on profit at the rates applicable to profits in the countries concerned	**38,152**	50,256
Expenses not deductible for tax purpose	**29,553**	22,305
Income not taxable for tax purpose	**(24,769)**	(35,725)
Share of results of associates and joint ventures	**(27,113)**	(10,826)
Effect of change in tax rate	**—**	2,020
Utilisation of tax losses previously not recognised	**(715)**	(8,516)
Tax losses not recognised	**15,934**	8,942
Over provision in prior years	**(11)**	(1,866)
PRC LAT	**54,179**	9,244
Others	**—**	(200)
Income tax expense	**85,210**	35,634

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and other benefits	**196,941**	174,732
Retirement fund contributions *(note 46)*	**3,878**	3,698
Termination benefits	**994**	62
	201,813	178,492

12. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Proposed final dividend — HK$0.005 (2012: HK$0.005) per ordinary share	**2,617**	2,617

The final dividend of HK$0.005 (2012: HK$0.005) per ordinary share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

Dividend in respect of previous financial year recognised as distributions during the year ended 31st December, 2013 amounted to HK$2,617,000 (2012: HK$2,617,000) or HK$0.005 (2012: HK$0.005) per ordinary share.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$183,396,000 (2012: HK$212,635,000) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2012: 523,485,000).

No diluted earnings per share is presented for the years ended 31st December, 2013 and 2012 as the Group had no potential dilutive ordinary shares in issue during the year or in prior year.

14. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Carrying amount at the beginning of year	**875,776**	779,203	**62,100**	45,600
Translation adjustment	**11,639**	52	**—**	—
Additions	**3**	318	**—**	—
Disposals *(note (a))*	**(375,178)**	—	**—**	—
Acquisition of a subsidiary *(note 44)*	**1,682,724**	—	**—**	—
Increase in fair value*	**30,479**	96,203	**6,800**	16,500
Carrying amount at the end of year	**2,225,443**	875,776	**68,900**	62,100

* *disclosed as "Fair value gain on investment properties" in the consolidated income statement.*

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
In Hong Kong, held under long-term leases	**369,900**	338,800	**68,900**	62,100
In other regions of the PRC, held under medium-term leases	**1,729,529**	408,276	**—**	—
In the United States, freehold	**126,014**	128,700	**—**	—
Carrying amount at 31st December	**2,225,443**	875,776	**68,900**	62,100

14. INVESTMENT PROPERTIES *(Continued)*

Notes:

(a) On 24th May, 2013, a subsidiary of the Company entered into a conditional sales and purchase agreement (the "S&P") with an independent third party to dispose of ("the "Disposal") an investment property located in the PRC (the "Disposal Property"). On the same date, another subsidiary of the Company entered into a conditional service agreement with another independent third party for providing services, comprising investment planning and feasibility analysis, for the property project to be developed on the land of the Disposal Property. The service agreement is conditional on the completion of the S&P. The Disposal was completed in December 2013. The gain arising from the Disposal which represents the difference between the net disposal proceeds and the carrying amount of the Disposal Property amounted to HK$106,207,000.

(b) The Group's investment properties are measured at fair value on a recurring basis. Investment properties which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2013 by Knight Frank Petty Limited. Investment properties situated in the United States were revalued as at 31st December, 2013 by Cushman & Wakefield Western, Inc. Knight Frank Petty Limited and Cushman & Wakefield Western, Inc. are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

(c) The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. All of the fair values of the investment properties as at 31st December, 2013 is a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the year ended 31st December, 2013, there were no transfers between level 1 and level 2, or transfers into or out of level 3.

The fair value of the industrial premises in Hong Kong as at 31st December, 2013 is determined using Residual Approach. The assessed site value of the property is the net or residual value that remains on the property from the sales proceeds of the completed proposed development after deducting all the costs of the development, namely the cost of construction, cost of finance, professional fees, marketing costs and an allowance of the profit required for the development which is assumed to have been completed on the site as at the date of valuation. The fair value of other properties located in Hong Kong and the PRC as at 31st December, 2013 are determined using Sales Comparison Approach by reference to market comparable transactions available in the relevant market or Income Capitalisation Approach on the basis of capitalisation of net income.

Fair values of the properties located in the United States as at 31st December, 2013 are determined using Sales Comparison Approach by reference to market comparable transactions available in the relevant market, as well as Income Capitalisation Approach — Discounted cash flow method by discounting cash flow series associated with the properties using risk-adjusted discounted rates.

(d) Details about the valuation inputs are as follows:

Properties	**Location**	**Valuation technique**	**Unobservable inputs**	**Range of Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Industrial premises	Hong Kong	Residual Approach	Average unit price per square foot ("sq. ft.")	HK$5,530 per sq. ft.	The higher the average unit price, the higher the fair value
			Average construction cost per sq. ft.	HK$1,650 per sq. ft.	The higher the average construction cost, the lower the fair value
			Developer's profit margin	15%	The higher the developer's margin, the lower the fair value
Industrial premises	Hong Kong	Income Capitalisation Approach	Monthly rent per sq. ft.	HK$28 per sq. ft.	The higher the market rent, the higher the fair value
			Capitalisation rate	4%	The higher the capitalisation rate, the lower the fair value

14. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(d) Details about the valuation inputs are as follows: (Continued)

Properties	Location	Valuation technique	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per square metre ("sq. m.")	RMB5.7 to RMB6.0 per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6%	The higher the capitalisation rate, the lower the fair value
Buildings on industrial site	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB10.5 per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	9.5%	The higher the capitalisation rate, the lower the fair value
Land parcel	PRC	Sales Comparison Approach	Discount on quality of property	9% to 17%	The higher the discount, the lower the fair value
Commercial complex	USA	Sales Comparison Approach	Discount on quality of property	37% to 47%	The higher the discount, the lower the fair value
		Income Capitalisation Approach — Discounted cash flow method	Monthly rent per sq. ft.	United States Dollars ("US$") 0.64 to US$1.30 per sq. ft.	The higher the market rent, the higher the fair value
			Terminal capitalisation rate	7.5% to 8.0%	The higher the terminal capitalisation rate, the lower the fair value
			Internal rate of return	9.5%	The higher the internal rate of return, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use except for the industrial premises located in Hong Kong. The industrial premises are partly occupied by the Group as head office for management and administrative purposes and are partly leased out to third party tenants to generated rental income. The self-occupied portion is classified as property, plant and equipment (note 15) and the leased out portion is classified and accounted for as investment properties. The existing use of these industrial premises is different from the highest and best use assumed in the valuation.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 48.

In securing the bank loans as at year ended 31st December, 2013, the Group and the Company undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$369,900,000 (2012: HK$338,800,000) and HK$61,600,000 (2012: HK$62,100,000) respectively as at 31st December, 2013.

Certain investment properties of the Group are pledged as further detailed in note 47.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2012	176,671	70,376	69,824	55,986	109,470	482,327
Translation adjustment	(17)	(11)	54	5	(17)	14
Additions	16,521	14,760	5,221	3,350	13,584	53,436
Disposals	(168)	(36)	—	(185)	(10,598)	(10,987)
Write-off	—	—	(674)	(3,848)	—	(4,522)
At 31st December, 2012 and 1st January, 2013	193,007	85,089	74,425	55,308	112,439	520,268
Translation adjustment	3,147	3,186	(202)	620	3,310	10,061
Additions	—	13,122	1,228	2,158	28,607	45,115
Disposals	—	(80)	—	(199)	(13,999)	(14,278)
Write-off	—	—	—	(39)	—	(39)
At 31st December, 2013	**196,154**	**101,317**	**75,451**	**57,848**	**130,357**	**561,127**
DEPRECIATION						
At 1st January, 2012	43,370	24,557	68,920	44,309	49,056	230,212
Translation adjustment	4	20	32	6	55	117
Depreciation provided	4,674	6,887	707	3,493	19,634	35,395
Disposals	(3)	(33)	—	(167)	(9,481)	(9,684)
Write-off	—	—	(665)	(3,620)	—	(4,285)
At 31st December, 2012 and 1st January, 2013	48,045	31,431	68,994	44,021	59,264	251,755
Translation adjustment	1,142	1,463	(49)	486	1,997	5,039
Depreciation provided	5,011	10,068	1,327	1,872	21,776	40,054
Disposals	—	(72)	—	(175)	(12,599)	(12,846)
Write-off	—	—	—	(29)	—	(29)
At 31st December, 2013	**54,198**	**42,890**	**70,272**	**46,175**	**70,438**	**283,973**
NET CARRYING AMOUNT						
At 31st December, 2013	**141,956**	**58,427**	**5,179**	**11,673**	**59,919**	**277,154**
At 31st December, 2012	144,962	53,658	5,431	11,287	53,175	268,513

THE COMPANY

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1st January, 2012	3,585	5,989	9,574
Additions	48	—	48
At 31st December, 2012 and 1st January, 2013	3,633	5,989	9,622
Additions	136	4,611	4,747
Disposals	(10)	—	(10)
At 31st December, 2013	**3,759**	**10,600**	**14,359**
DEPRECIATION			
At 1st January, 2012	995	2,588	3,583
Depreciation provided	483	1,497	1,980
At 31st December, 2012 and 1st January, 2013	1,478	4,085	5,563
Depreciation provided	499	2,551	3,050
Disposals	(5)	—	(5)
At 31st December, 2013	**1,972**	**6,636**	**8,608**
NET CARRYING AMOUNT			
At 31st December, 2013	**1,787**	**3,964**	**5,751**
At 31st December, 2012	2,155	1,904	4,059

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

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group are analysed as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
In Hong Kong, held under long leases	**2,879**	3,079
In other regions of the PRC, held under		
— medium-term leases	**79,054**	79,653
— long leases	**4,215**	4,294
In the United States, freehold	**22,008**	22,521
In Asia (other than the PRC), held under medium-term leases	**43,713**	45,322
	151,869	154,869
Land and buildings included in property, plant and equipment	**141,956**	144,962
Prepaid lease rental on land *(note 16)*	**9,913**	9,907
	151,869	154,869

In securing the bank loans as at year ended 31st December, 2013, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$71,911,000 (2012: HK$72,717,000) as at 31st December, 2013.

Certain property, plant and equipment of the Group are pledged as further details in note 47.

16. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1st January	**9,907**	10,204
Translation adjustment	**308**	(3)
Amortisation charged	**(302)**	(294)
Carrying amount at 31st December	**9,913**	9,907
Analysed into:		
Non-current portion included in non-current assets	**9,609**	9,612
Current portion included in current assets	**304**	295
	9,913	9,907

17. GOODWILL

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1st January and 31st December	**4,393**	4,393

The amount of goodwill as at the end of each reporting period is allocated to the cash-generating unit of design and trading of semiconductors and electric components within the segment of "Others" and is tested for impairment, together with patent (note 18) by the management by estimating the recoverable amount of this cash-generating unit based on value-in-use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is 5 years up to year 2018. Based on the results of the impairment testing, management determines that there is no impairment in respect of this cash-generating unit.

Key assumptions used by the management in the value-in-use calculations of this cash-generating unit include gross profit margin of 21%–30% (2012: 20%–30%) and growth rate of 15%–25% for the first two forecast years and 5% or less thereafter (2012: 17%–21% for the first two forecast years and 5% or less thereafter). These assumptions have been determined based on past performance and management's expectations in respect of the market development in Taiwan. The pre-tax discount rate used which reflects the specific risks relating to the business and industry in which this cash-generating unit is engaged and has been applied to the cash flow projections is 28% (2012: 27%).

Apart from the considerations described above in determining the value-in-use of the cash-generating unit within the design and trading of semiconductors and electric components business, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. OTHER INTANGIBLE ASSETS

	THE GROUP		
	Taxi licences HK$'000	Patent HK$'000	Total HK$'000
COST			
At 1st January, 2012	270,156	9,649	279,805
Translation adjustment	(44)	—	(44)
Additions	2,322	—	2,322
At 31st December, 2012 and 1st January, 2013	272,434	9,649	282,083
Translation adjustment	8,527	(56)	8,471
Additions	2,609	—	2,609
At 31st December, 2013	**283,570**	**9,593**	**293,163**
AMORTISATION AND IMPAIRMENT			
At 1st January, 2012	49,284	1,608	50,892
Translation adjustment	(6)	—	(6)
Amortisation charged	463	1,206	1,669
At 31st December, 2012 and 1st January, 2013	49,741	2,814	52,555
Translation adjustment	1,566	(23)	1,543
Amortisation charged	643	1,206	1,849
At 31st December, 2013	**51,950**	**3,997**	**55,947**
NET CARRYING AMOUNT			
At 31st December, 2013	**231,620**	**5,596**	**237,216**
At 31st December, 2012	222,693	6,835	229,528

Taxi Licences

During the year ended 31st December, 2012, the PRC government granted to the Group 20 taxi licences for free (the "Free Taxi Licences"), which entitle the licence holders to operate the taxi vehicles during a fixed period of time in a day for a five-year period up to 1st March, 2017. During the year ended 31st December, 2013, the PRC government granted another 15 Free Taxi Licences to the Group which entitle the licence holders to operate the taxi vehicles during the specified time period in a day for a five-year period up to 1st August, 2018. The useful life of these Free Taxi Licences is therefore 5 years.

The Group recognised these Free Taxi Licences as intangible assets with a corresponding amount recognised as deferred government grants in accordance with the accounting policies set out in note 3.30. The fair value of the Free Taxi Licences was determined based on value-in-use calculations.

In the opinion of the directors, the taxi licences except for the Free Taxi Licences ("Other Taxi Licences"), have indefinite useful life as there is no foreseeable limit on the period of time on which Other Taxi Licences are expected to provide cash flows.

Other Taxi Licences as at 31st December, 2013 are tested for impairment by the management by estimating its recoverable amount based on value-in-use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The financial budgets prepared for the year ended 31st December, 2013 are up to year 2033 as the application for extending the business period of the subsidiary engaging in taxi rental operation by 22 years to year 2033 has been approved by the PRC government on 27th September, 2011.

18. OTHER INTANGIBLE ASSETS *(Continued)*

Taxi Licences *(Continued)*

Other key assumptions used by management in the value-in-use calculations of Other Taxi Licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group remains the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the respective year, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 12.6% (2012: 12.6%) which reflects specific risks relating to the taxi rental operation in the PRC. Based on the result of the impairment testing, management determines that there is no impairment in respect of the taxi licences.

Patent

Patent related to the cash-generating unit of design and trading of semiconductors and electric components and is combined with the goodwill and other assets of this cash-generating unit in assessing for impairment (note 17).

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**100,387**	99,958
Less: Impairment	**(91,197)**	(90,428)
	9,190	9,530

As at 31st December, 2013, the directors of the Company assessed the recoverable amount of the Company's interests in subsidiaries and base on the impairment assessment, additional impairment loss of HK$769,000 (2012: nil) has been recognised in the year in respect of these investments.

Details of the Company's principal subsidiaries as at 31st December, 2013 are set out in note 55. Certain of the Group's interests in subsidiaries are pledged as further detailed in note 47.

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**174,571**	593,538
Goodwill on acquisition of an associate	**—**	850
	174,571	594,388

During the year ended 31st December, 2013, the Group entered into the following transactions in relation to its associates:

(a) acquired the remaining 60% of the equity interest in China Dynasty Development Limited ("China Dynasty"), an associate of the Group. Through the acquisition, the Group's equity interest in China Dynasty has increased from 40% to 100% and China Dynasty becomes a wholly-owned subsidiary of the Group. Details of the acquisition and the financial information of China Dynasty are set out in note 44.

(b) acquired additional 47.47% equity interest in MDCL-Frontline (China) Limited ("MDCL"), an associate of the Group, in April 2013. Through the acquisition, the Group's equity interest in MDCL has increased from 26.66% to 74.13%. The Group subsequently disposed of its entire 74.13% equity interest in MDCL in August 2013. Details of acquisition and disposal of the equity interest in MDCL and the financial information of MDCL are set out in note 45.

Details of the Group's associates as at 31st December, 2013 are set out in note 56.

20. INTERESTS IN ASSOCIATES *(Continued)*

The following illustrates the summarised financial information in relation to the Group's associates as at 31st December, 2013 with comparative information extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2013	2012
	HK$'000	HK$'000
Year ended 31st December		
Revenue	**101,172**	93,927
Profit for the year	**96,474**	147,883
Other comprehensive income	**21,225**	(124)
Total comprehensive income	**117,699**	147,759
Dividend received from associates	**17,566**	29,480
As at 31st December		
Current assets	**66,634**	111,357
Non-current assets	**1,496,537**	1,387,104
Current liabilities	**(137,545)**	(144,802)
Non-current liabilities	**(552,769)**	(508,373)
Net assets	**872,857**	845,286
Carrying amount of the Group's interest in the net asset of the associates	**174,571**	169,057

21. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**9,195**	6,766
Goodwill on acquisition	**390**	390
	9,585	7,156

As at 31 December 2013, the Group has 51.18% (2012: 51.18%) interest in joint ventures, Appeon HK and 艾普陽軟件. Appeon HK is a separate structured vehicle incorporated in Hong Kong and is principally engaged in investment holding and sale of software licence. 艾普陽軟件 is a wholly-owned subsidiary of Appeon HK incorporated in the PRC and is principally engaged in computer software and hardware development.

The contractual arrangement in relation to Appeon HK provide the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Appeon HK. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been accounted for in the consolidated financial statements using the equity method.

Details of the Group's joint ventures as at 31st December, 2013 are set out in note 57.

21. INTERESTS IN JOINT VENTURES *(Continued)*

The following illustrates the summarised financial information of the Group's joint ventures extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis	
	2013	2012
	HK$'000	HK$'000
Year ended 31st December		
Revenue	**24,200**	19,930
Profit for the year	**4,342**	7,330
Other comprehensive income for the year	**403**	(147)
Total comprehensive income	**4,745**	7,183

	2013	2012
	HK$'000	HK$'000
As at 31st December		
Current assets	**13,815**	10,552
Non-current assets	**8,612**	7,077
Current liabilities	**(4,462)**	(4,410)
	17,965	13,219

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		**THE COMPANY**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments:				
Club debentures *(note)*	**3,300**	3,300	**3,300**	3,300
Equity securities, listed in Hong Kong, at fair value	**119,978**	151,312	**—**	—
Unlisted investment funds, at fair value	**11,005**	11,816	**—**	—
	134,283	166,428	**3,300**	3,300

Note: Club debentures are stated at cost less impairment.

The Group does not intend to dispose of these investments in the near future.

23. OTHER ASSETS

Other assets represent antiques held by the Company and the Group for long-term investment purposes. Antiques are reviewed for impairment by the management with reference to the valuation report issued by an independent professional valuer. In the opinion of the directors, the antiques worth at least their carrying value at the end of the reporting period.

24. LOANS RECEIVABLE

	THE GROUP		**THE COMPANY**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans receivable from:				
Investees *(note (a))*	**20,015**	19,316	**—**	—
Associates *(note (b))*	**47,486**	47,027	**—**	—
Others *(note (c))*	**31,566**	45,850	**17,109**	30,833
	99,067	112,193	**17,109**	30,833
Less: Impairment *(notes (a) and (c))*	**(51,261)**	(64,606)	**(16,789)**	(30,833)
	47,806	47,587	**320**	—
Analysed into:				
Amount repayable in more than one year included in non-current assets	**47,486**	47,027	**—**	—
Amount repayable within one year included in current assets	**320**	560	**320**	—
	47,806	47,587	**320**	—

24. LOANS RECEIVABLE *(Continued)*

Notes:

(a) *The loans to investees are unsecured, interest-bearing at 3%–5% (2012: 4.10%–4.75%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that the entire loans (2012: the entire loans) cannot be recovered and accordingly, accumulated impairment provision of HK$20,015,000 (2012: HK$19,316,000) had been made in respect of these loan balances.*

(b) *The loans to associates are unsecured and interest-free. The amortised costs of the loans at the end of the reporting period are calculated at the present values of the expected settlements from the associates in accordance with the business plan of the respective associates, discounted at the rate of return of similar financial assets. The loans are expected not to be repayable within twelve months from the end of the reporting period and accordingly, they are classified as non-current assets. Having considered the financial position of these associates, and their repayment history, the management assessed that there is no indication of impairment in respect of these loans.*

(c) *The balances are unsecured, interest-bearing at 5%–8.5% (2012: 5%–18.16%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that only a portion of the balances can be recovered and accordingly, accumulated impairment provision of HK$31,246,000 (2012: HK$45,290,000) had been made in respect of the balances.*

25. FINANCE LEASE RECEIVABLES

In 2012, the Group entered into agreements with a customer for replacing the light tubes of the properties managed by the customer by the LED light tubes produced by the Group. In return, the Group is entitled to monthly income for a period of five years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes which have estimated useful life of three years. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customer over the lease period, computed at a market rate of interest. Finance income arising from the finance leases is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

The analysis of the finance lease receivables is as follows:

	THE GROUP			
	Total minimum lease payments receivable		**Present value of minimum lease payments receivable**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable				
Within one year	**1,572**	1,794	**1,403**	1,702
In the second year	**231**	1,525	**199**	1,361
In the third to fifth year	**—**	224	**—**	193
	1,803	3,543	**1,602**	3,256
Future finance income	**(201)**	(287)	**—**	—
Finance lease receivables	**1,602**	3,256	**1,602**	3,256
Analysed into:				
Amounts receivable in more than one year included in non-current assets			**199**	1,554
Amounts receivable within one year included in current assets			**1,403**	1,702
			1,602	3,256

26. INVENTORIES OF PROPERTIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Properties under development	**196,001**	195,123

As at the end of the reporting period, properties under development amounting to HK$196,001,000 (2012: HK$195,123,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development are located in Hong Kong. As at the end of the reporting period, leasehold interests in land included in inventories of properties which are held under medium-term leases amounted to HK$179,181,000 (2012: HK$179,181,000).

27. OTHER INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Raw materials	**95,304**	88,065
Work-in-progress	**15,934**	22,612
Finished goods	**87,527**	66,844
	198,765	177,521

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**212,401**	194,179	**—**	—
Less: Impairment of trade receivables	**(5,716)**	(4,951)	**—**	—
Trade receivables, net	**206,685**	189,228	**—**	—
Other receivables	**4,391**	5,164	**124**	6
Prepayments and deposits	**49,381**	51,435	**1,873**	1,549
	260,457	245,827	**1,997**	1,555

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rental receivable from tenants is payable on presentation of invoices. For taxi rental, licence and management fee income, taxi drivers are generally required to pay monthly rental, licence and management fees in advance or by the 15th or 25th of that month.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

The movement in the allowance for impairment of trade receivables is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1st January	**4,951**	3,215
Translation adjustment	**56**	(4)
Impairment losses recognised	**721**	2,940
Impairment losses reversed	**—**	(158)
Amounts written off as uncollectible	**(12)**	(1,042)
Carrying amount at 31st December	**5,716**	4,951

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31st December, 2013, the Group's trade receivables of HK$5,716,000 (2012: HK$4,951,000) were impaired and accordingly, full allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which were impaired and for which allowances were made for at the reporting date is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
30 days or below	**22**	58
31–60 days	**19**	—
61–90 days	**20**	—
91–180 days	**85**	—
181–360 days	**149**	—
Over 360 days	**5,421**	4,893
	5,716	4,951

The ageing analysis of trade receivables that are past due but are not considered impaired based on due date at the reporting date is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
61–90 days	**450**	30,662
91–180 days	**1,411**	4,693
181–360 days	**1,231**	938
Over 360 days	**1,132**	152
	4,224	36,445

As at 31st December, 2013, trade receivables of HK$202,461,000 (2012: HK$152,783,000) are neither past due nor impaired. These balances relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral over these balances other than rental and building management deposits from tenants of the Group's investment properties.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and repayable on demand. Except for an amount of HK$307,045,000 (2012: HK$254,134,000) which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. The balances due to the subsidiaries as at 31st December, 2013 were interest-free except for an amount of HK$1,471,000 (2012: HK$20,680,000) which is interest-bearing at prevailing market rate.

30. AMOUNT(S) DUE FROM AN ASSOCIATE/INVESTEES/NON-CONTROLLING INTEREST

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

Having considered the financial position of the counterparties, management assessed that a portion of the amounts due from investees cannot be recovered and accordingly, accumulated impairment provision of HK$14,276,000 (2012: HK$12,756,000) had been made in respect of the balances.

31. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**130,287**	71,940
Listed outside Hong Kong	**419,337**	457,200
Debt securities listed outside Hong Kong, at fair value	**—**	38,517
	549,624	567,657

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 47.

The fair values of the debt securities are determined based on quoted market prices available on the Over the Counter ("OTC") Market of relevant stock exchange.

32. CASH AND BANK BALANCES/RESTRICTED BANK DEPOSIT

(a) Cash and bank balances

Cash and bank balances include the following:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks, in hand and deposited with financial institutions	**217,538**	180,394	**42,899**	14,177
Short-term bank deposits	**446,653**	283,684	**—**	—
	664,191	464,078	**42,899**	14,177

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period.

(b) Restricted bank deposit

Restricted bank deposit of the Group as at 31st December, 2013 of RMB89,000,000 (equivalent to HK$113,199,000) represented a deposit with original maturity of three months and carries interest at 3-month deposit rate of 2.86% per annum, which has been placed in a designated bank account pursuant to the agreements entered by the Group in relation to the acquisition of land and building located in Guangzhou, the PRC (the "GZ Property").

On 30th October, 2013, the Group entered into a sale and purchase agreement (the "Master Agreement") with an independent third party vendor (the "Vendor") and a bank to which the GZ Property has been mortgaged (the "Mortgage Bank") for acquiring the GZ Property at consideration of RMB60,000,000. The GZ Property has been pledged by the Vendor to the Mortgage Bank before the Master Agreement was entered into. Pursuant to the Master Agreement, the Group has to transfer RMB60,000,000 to the designated bank account operated by the Mortgage Bank and funds deposited to this designated bank account is subject to monitoring by the Mortgage Bank. Upon completion of transferring the legal title of GZ Property to the Group and settling the mortgage loan by the fund deposited to this designated bank account, the Mortgage Bank will release the charge on GZ Property.

32. CASH AND BANK BALANCES/RESTRICTED BANK DEPOSIT *(Continued)*

(b) Restricted bank deposit *(Continued)*

On the same date, the Group and the Mortgage Bank entered into another supplementary agreement (the "Supplementary Agreement") and according to the Supplementary Agreement, the amount to be transferred to the designated bank account has been revised to RMB92,000,000. As at the reporting date, bank balance of RMB89,000,000 (equivalent to HK$113,199,000) was deposited to the designated bank account.

As at 31st December, 2013, cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$639,453,000 (2012: HK$348,341,000). RMB is not freely convertible into other currencies.

33. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**87,340**	75,068	**—**	—
Temporary receipts	**21,825**	35,028	**30**	30
Deferred income	**87**	1,262	**—**	—
Other payables and accruals	**209,096**	198,885	**26,661**	25,013
Deposits received	**44,163**	29,864	**2,647**	2,554
	362,511	340,107	**29,338**	27,597

34. AMOUNT DUE TO A RELATED PARTY/DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Non-current assets		
RMB/US$ forward contract	**74**	—
Current assets		
RMB/US$ forward contract	**46**	252

Note:

The notional amount of two (2012: two) outstanding forward foreign exchange contracts as at 31st December, 2013 amounted to US$4,000,000 (2012: US$4,000,000), with a tenor of 23 and 24 months respectively. The amount to be settled by the Group on monthly basis throughout the contract period depends on the exchange rate of United States Dollar ("US$") against RMB on each monthly valuation date. The fair values of the forward foreign exchange contracts are determined by reference to the valuation conducted by a third party financial institution.

As at 31st December, 2013, one outstanding forward foreign exchange contract with fair value of HK$74,000 will mature in 16 months after the reporting date and accordingly, it is classified as a non-current asset. The other outstanding forward foreign exchange contract with fair value of HK$46,000 will mature in one month after the reporting date and accordingly, it is classified as a current asset accordingly.

36. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings				
Current liabilities	**602,595**	395,424	**435,904**	140,330
Non-current liabilities	**598,500**	233,260	**598,500**	233,260
	1,201,095	628,684	**1,034,404**	373,590
Bank borrowings				
Secured *(note 47)*	**951,786**	323,300	**860,000**	205,000
Unsecured	**249,309**	305,384	**174,404**	168,590
	1,201,095	628,684	**1,034,404**	373,590

The movement of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at the beginning of year	**628,684**	612,432	**373,590**	360,180
Translation adjustment	**(491)**	(843)	**—**	—
New bank loans raised	**1,269,270**	644,253	**842,455**	101,260
Repayment of bank loans	**(696,368)**	(627,158)	**(181,641)**	(87,850)
Carrying amount at the end of year	**1,201,095**	628,684	**1,034,404**	373,590

The maturity of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Due within one year	**498,193**	313,757	**419,904**	140,330
Due after one year which contain a repayment on demand clause	**104,402**	81,667	**16,000**	—
	602,595	395,424	**435,904**	140,330
Non-current liabilities				
Due in two to five years	**598,500**	233,260	**598,500**	233,260
	1,201,095	628,684	**1,034,404**	373,590

36. BANK BORROWINGS *(Continued)*

The analysis of bank borrowings by scheduled repayment is as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Portion of term loans due for repayment within one year	**498,193**	313,757	**419,904**	140,330
Term loans due for repayment after one year *(note)*				
After one year but within two years	**86,040**	220,315	**82,500**	217,260
After two years but within five years	**608,239**	26,034	**532,000**	16,000
More than five years	**8,623**	68,578	**—**	—
	702,902	314,927	**614,500**	233,260
	1,201,095	628,684	**1,034,404**	373,590

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the bank loans are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**1,032,000**	380,024	**1,032,000**	348,630
US$	**169,095**	248,660	**2,404**	24,960
	1,201,095	628,684	**1,034,404**	373,590

Among the Group's bank borrowings as at 31st December, 2013, HK$217,309,000 (2012: HK$251,254,000) were arranged at fixed annual interest rates of 1.37%–2.41% (2012: 1.21%–2.33%). The remaining balance of the Group's bank borrowings of HK$983,786,000 (2012: HK$377,430,000) were arranged at floating rates of 1.92%–4.5% (2012: 1.71%–4.5%) per annum.

Among the Company's bank borrowings as at 31st December, 2013, HK$142,404,000 (2012: HK$114,460,000) were arranged at fixed annual interest rates of 1.37%–2.41% (2012: 1.28%–2.33%). The remaining balance of the Company's bank borrowings of HK$892,000,000 (2012: HK$259,130,000) were arranged at floating rates of 1.92%–2.73% (2012: 1.98%–2.74%) per annum.

The Group's and the Company's interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

As at 31st December, 2013, the Group's and the Company's bank borrowings amounted to HK$1,004,303,000 (2012: HK$162,182,000) and HK$984,404,000 (2012: HK$111,090,000) respectively were secured by personal guarantee granted by the director, Mr. Billy K Yung.

37. OTHER LIABILITIES

Other liabilities are unsecured, interest-bearing at fixed amounts as set out in the respective agreements and with maturity dates which vary from 1 to 59 months from the reporting date (2012: 1 to 59 months). The directors consider that the carrying amounts of other liabilities approximate their fair values.

38. LOAN FROM NON-CONTROLLING INTEREST

The loan is unsecured, interest-free and not repayable within twelve months from the reporting date. As assessed by the directors, the difference between the carrying amount of the loan and the fair value of the loan, calculated by discounting the expected future cash flows at prevailing interest rate, is not material.

39. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31st December, 2013 is HK$12,521,000 (2012: HK$12,867,000), which is attributed to the certain subsidiaries not 100% owned by the Group. In the opinion of the directors, none of the non-controlling interests of these subsidiaries are material to the Group.

40. DEFERRED TAX

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

THE GROUP

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on other receivable HK$'000	Revaluation of properties HK$'000	Fair value change in equity securities HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January, 2012	1,733	36,044	(413)	73,175	(1,099)	—	109,440
Translation adjustment	—	12	—	53	—	—	65
Effect of change in tax rate charged to profit or loss	—	—	—	2,020	—	—	2,020
Charged/(Credited) to profit or loss	(1,327)	5,252	52	19,117	1,099	(5,047)	19,146
At 31st December, 2012 and 1st January, 2013	406	41,308	(361)	94,365	—	(5,047)	130,671
Translation adjustment	—	1,370	—	1,525	—	29	2,924
Charged/(Credited) to profit or loss	148	5,234	(75)	(91,013)	—	5,018	(80,688)
Acquisition of a subsidiary *(note 44)*	—	—	—	415,517	—	—	415,517
At 31st December, 2013	**554**	**47,912**	**(436)**	**420,394**	**—**	**—**	**468,424**

Represented by:

	2013 HK$'000	2012 HK$'000
Deferred tax liabilities	**468,424**	135,718
Deferred tax assets	**—**	(5,047)
	468,424	130,671

40. DEFERRED TAX *(Continued)*

THE GROUP *(Continued)*

As at 31st December, 2013, the Group has unused tax losses of approximately HK$216,688,000 (2012: HK$212,578,000) available for offset against future profits. No deferred tax assets in respect of these tax losses has been recognised in the financial statements due to the unpredictability of future profit streams.

As at 31st December, 2012, deferred tax asset of approximately HK$5,047,000 has been recognised in respect of approximately HK$12,539,000 of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$200,039,000 due to the unpredictability of future profit streams.

The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the USA may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of approximately HK$23,167,000 (2012: HK$15,375,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31st December, 2013, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$245,525,000 as at 31st December, 2013 (2012: HK$167,410,000).

THE COMPANY

	Accelerated tax depreciation HK$'000	**Allowance on other receivable HK$'000**	**Total HK$'000**
At 31st December, 2012	517	(413)	104
Charged/(Credited) to profit or loss	(115)	52	(63)
At 31st December, 2012 and 1st January, 2013	402	(361)	41
Charged/(Credited) to profit or loss	149	(75)	74
At 31st December, 2013	**551**	**(436)**	**115**

For the purposes of presentation of the financial statements, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

41. SHARE CAPITAL

	2013		2012	
	Number of shares '000	**Nominal value**	Number of shares '000	Nominal value
Authorised				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**523,485**	**US$10,470**	523,485	US$10,470
Shown in the financial statements as		**HK$82,000**		HK$82,000

The share capital of the Company comprises only of fully paid ordinary shares with a par value of US$10,470. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

42. RESERVES

THE GROUP

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.18.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in note 3.7.

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain percentages of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with accounting policy in notes 3.14 and 3.15.

Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

THE COMPANY

Details of the movements in the Company's reserves during the year and in prior year are as follows:

	Dividend reserve HK$'000	**Contributed surplus HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1st January, 2012	2,617	896,524	502,099	1,401,240
Loss and total comprehensive income for the year	—	—	(25,847)	(25,847)
Dividend paid	(2,617)	—	—	(2,617)
Proposed final dividend *(note 12)*	2,617	—	(2,617)	—
At 31st December, 2012 and 1st January, 2013	2,617	896,524	473,635	1,372,776
Profit and total comprehensive income for the year	—	—	7,249	7,249
Dividend paid	(2,617)	—	—	(2,617)
Proposed final dividend *(note 12)*	2,617	—	(2,617)	—
At 31st December, 2013	**2,617**	**896,524**	**478,267**	**1,377,408**

Contributed surplus

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

43. SHARE OPTION SCHEMES

Subsidiaries

The share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective on 11th November, 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Details of those share option schemes of the subsidiaries are set out in the circular to the shareholders of Shell Electric Mfg. (Holdings) Company Limited (now known as China Overseas Grand Oceans Group Limited) on 25th October, 2002.

(a) Appeon

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company).

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2012 were as follows:

		Number of share options			
Grantee	**Subscription price per share US$**	**As at 1.1.2012**	**Expired during the year**	**Granted during the year**	**As at 31.12.2012**
Directors of Appeon	2.50	31,500	(31,500)	—	—
Employees	2.50	24,500	(24,500)	—	—
	3.00	10,000	(10,000)	—	—
Consultants of Appeon	2.50	10,000	(10,000)	—	—
	0.10	20,425	(20,425)	—	—
		96,425	(96,425)	—	—
		HK$	**HK$**	**HK$**	**HK$**
Weighted average exercise price		15.94	(15.94)	—	—

The Appeon Scheme was expired on 10th November, 2012 and no option was exercised by the grantees during the period from 1st January, 2012 up to the expiry date.

(b) Galactic

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company).

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2012 were as follows:

		Number of share options			
Grantee	**Subscription price per share US$**	**As at 1.1.2012**	**Expired during the year**	**Granted during the year**	**As at 31.12.2012**
Directors of Galactic	0.45	3,442,655	(3,442,655)	—	—
Employees	0.45	2,135,993	(2,135,993)	—	—
		5,578,648	(5,578,648)	—	—
		HK$	**HK$**	**HK$**	**HK$**
Weighted average exercise price		3.51	(3.51)	—	—

The Galactic Scheme was expired on 10th November, 2012 and no option was exercised by the grantees during the period from 1st January, 2012 up to the expiry date.

44. ACQUISITION OF A SUBSIDIARY

On 23rd December, 2013, the Group entered into a sale and purchase agreement with a third party for the acquisition of 60% of the equity interest of China Dynasty. Before the acquisition, the Group held 40% of the equity interest of China Dynasty and China Dynasty was accounted for as an associate of the Group. After the Acquisition, the Group's equity interest in China Dynasty has increased from 40% to 100% and the Group has obtained control over China Dynasty. Accordingly, China Dynasty becomes a indirect wholly-owned subsidiary of the Company. China Dynasty is a limited liability company incorporated in the British Virgin Islands and is principally engaged in property development in the PRC. The acquisition was completed on 31st December, 2013.

The consideration for the acquisition of the 60% equity interest of China Dynasty is HK$728,901,000, which is determined with reference to the net assets value of China Dynasty as at the completion date, adjusted for the value of the investment properties and deferred taxation.

The following table summaries the consideration payable for China Dynasty, the fair value of assets acquired, liabilities assumed at the acquisition date and gain on acquisition of China Dynasty.

	2013 HK$'000
Aggregate of consideration transferred and fair value of previously held equity interest:	
Consideration for 60% equity interest	**728,901**
Fair value of previously held 40% equity interest *(note (a))*	**456,135**
	1,185,036

	2013 Fair value on acquisition HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Investment properties	**1,682,724**
Trade and other receivables, prepayments and deposits *(note (b))*	**649**
Balances with group companies	**22,559**
Cash and cash equivalents	**745**
Trade and other payables	**(21,490)**
Taxation liabilities	**(2,628)**
Deferred tax liabilities	**(415,517)**
Total identifiable net assets acquired	**1,267,042**
Gain on bargain purchase *(note (c))*	**(82,006)**
	1,185,036

Notes:

(a) The acquisition-date fair value of the Group's 40% equity interest held in China Dynasty before the acquisition amounted to HK$456,135,000. The Group recognised a loss of HK$50,682,000 as a result of re-measuring the 40% equity interest of China Dynasty to fair value.

(b) The fair value and gross amount of the trade receivables and other receivables as at the acquisition date is HK$169,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(c) The Group recognised a gain on bargain purchase on acquisition of further 60% equity interest of China Dynasty amounted to HK$82,006,000. The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.

The net gain arising from the acquisition of China Dynasty amounted to HK$31,324,000 is recognised in "Other gains — Gain arising from acquisition of a subsidiary" in the consolidated income statement and is calculated as follows:

	2013 HK$'000
Gain on bargain purchase arising from acquisition of further 60% equity interest	**82,006**
Loss on re-measuring the fair value of previously held 40% equity interest	**(50,682)**
Net gain arising from the acquisition of China Dynasty	**31,324**

44. ACQUISITION OF A SUBSIDIARY *(Continued)*

An analysis of the cash flows in respect of the acquisition of China Dynasty is as follows:

	2013 HK$'000
Cash consideration paid	722,700
Bank balances and cash acquired	(745)
Net outflow of cash and cash equivalents in respect of the acquisition	721,955

As at 31st December, 2013, the outstanding consideration payable for acquisition of China Dynasty was HK$6,201,000.

As the acquisition was completed on 31st December, 2013, China Dynasty had no contribution to the Group's revenue during the year. The Group's share of profit of China Dynasty for the period from 1st January, 2013 to the acquisition date on 31st December, 2013 was HK$151,709,000 (2012: HK$34,068,000). Had the acquisition been occurred on 1st January, 2013, the Group's revenue and profit for the year would have been HK$1,264,553,000 and HK$409,652,000 respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2013, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$931,000 have been expensed and are included in administrative expenses in the consolidated income statement.

45. DISPOSAL OF AN ASSOCIATE

On 29th April, 2013, the Group entered into a sale and purchase agreement to acquire additional 47.47% equity interest in MDCL, at a consideration of US$3,900,000 (equivalent to approximately HK$30,420,000). Before the acquisition, the Group held 26.66% of the equity interest of MDCL which was accounted for as an associate of the Group. Through the acquisition, the Group's equity interest in MDCL has increased from 26.66% to 74.13%. The principal activities of MDCL are the sale of information technology infrastructure, provision of IT consultancy services and investment holding. The Group and other shareholders of MDCL were not optimistic about the future prospect of MDCL and had reached an agreement to dispose of the business . In order to facilitate the process of disposal of MDCL, the Group bought out the 47.47% equity interest in MDCL held by one of the shareholders of MDCL. Despite the Group consequently held 74.13% equity interest of MDCL, the Group has no control over the relevant activities of MDCL. Accordingly, the Group has continued to account for MDCL as an associate using equity method. Subsequently on 26th July, 2013, the Group entered into a sale agreement to dispose of the entire 74.13% equity interest in MDCL to the other shareholder of MDCL at a consideration of US$8,000,000 (equivalent to HK$62,228,000). The disposal was completed in August, 2013.

The net gain arising from disposal of MDCL as a result of the above transactions amounted to HK$17,818,000, which is calculated as follows:

	2013 HK$'000
Gain on bargain purchase arising from acquisition of additional 47.47% equity interest of MDCL *(note (a))*	24,723
Loss on disposal of 74.13% equity interest of MDCL *(note (b))*	(6,905)
Net gain arising from disposal of MDCL	**17,818**

45. DISPOSAL OF AN ASSOCIATE *(Continued)*

Notes:

(a) The Group recognised a gain on bargain purchase on acquisition of 47.47% equity interest of MDCL amounted to HK$24,723,000, representing the difference between the fair value of consideration of HK$30,420,000 and the acquisition-date fair value of the net assets attributable to the 47.47% equity interest of MDCL amounted to HK$55,143,000. The acquisition was a bargain purchase in light of the expected processes necessary in procuring the disposal as well as the expected disposal costs to be incurred in future.

(b) The Group recognised a loss on disposal of 74.13% equity interest of MDCL, which is calculated as follows:

	2013
	HK$'000
Consideration	**62,228**
Net carrying value of 74.13% equity interests of MDCL	**(82,415)**
Goodwill	**(850)**
Reclassification from translation reserve attributable to MDCL	**14,132**
Loss on disposal of 74.13% equity interest of MDCL	**(6,905)**

The Group's share of losses of MDCL for the period from 1 January 2013 up to the date of disposal was HK$8,909,000 (2012: HK$1,783,000). Net inflow of cash and cash equivalents in respect of the disposal amounted to HK$31,808,000.

46. RETIREMENT BENEFITS SCHEMES

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

The employees of the subsidiaries under the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$3,878,000 (2012: HK$3,698,000) represent contributions paid/payable to these schemes by the Group in the current year.

47. PLEDGE OF ASSETS

At the reporting date, other than the negative pledges disclosed in notes 14 and 15, the Group has pledged the following assets and assigned rental income leasing of its investment properties to secure for the general banking and other loan facilities granted to the Group which are analysed as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Investment properties	**1,808,738**	128,700
Property, plant and equipment	**16,133**	—
Investments held for trading	**106,083**	62,933
	1,930,954	191,633

The issued share capital of certain subsidiaries held by the Company were pledged to banks to secure for the banking facilities granted to the Group. The aggregate net asset value of those subsidiaries as at 31st December, 2013 was approximately HK$1,267 million (2012: HK$471 million).

48. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its manufacturing plants and office properties under operating leases arrangements. Leases of these properties are negotiated for period ranging from one to one to four years (2012: one to three years), and rentals are fixed over the contracted period. At the end of each reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,246**	817	**1,200**	1,200
In the second to fifth year, inclusive	**8,274**	162	**4,500**	4,800
Over five years	**—**	—	**—**	900
	13,520	979	**5,700**	6,900

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging four months to twenty-four years (2012: one to twenty-four years). At the reporting date, the Group and the Company had contracted with tenants for the following future minimum lease payments receivable:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**96,887**	40,208	**6,011**	11,196
In the second to fifth year, inclusive	**108,925**	86,971	**—**	5,077
Over five years	**1,164**	2,026	**—**	—
	206,976	129,205	**6,011**	16,273

49. OTHER COMMITMENTS

As at the reporting date, the Group had other significant commitments as follows:

	2013	2012
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Purchase of property, plant and equipment	**2,276**	2,609

50. GUARANTEE

As at the reporting date, the Company had issued the following significant guarantees:

	2013	2012
	HK$'000	HK$'000
Guarantee given to:		
Banks for credit facilities granted to certain subsidiaries	**489,386**	482,188
A supplier of a subsidiary to secure the repayment of balance due by the subsidiary to the supplier	**121**	—
	489,507	482,188

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

51. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2013 HK$'000	2012 HK$'000
Service fee paid to a director	**9,075**	6,075

Service fee paid to the director, Mr. Billy K Yung, is for procuring for obtaining banking facilities by the Group which is charged on the basis of 1.5% (2012: 1.5%) on the facilities obtained.

Total staff costs include compensations to the key management personnel (including directors), details of which are as follows:

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**34,792**	23,913
Post-employment benefits	**584**	465
	35,376	24,378

52. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and bank balances and restricted bank deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31st December, 2013 and 2012 were as follows:

	2013 HK$'000	2012 HK$'000
Debt	**1,201,095**	628,684
Less: cash and bank balances and restricted bank deposits	**(777,390)**	(464,078)
Net debt	**423,705**	164,606
Capital represented by total equity	**2,897,028**	2,712,514
Gearing ratio	**14.63%**	6.07%

The Group targets to maintain a gearing ratio of not higher than 50% which is in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

53.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
— investments held for trading	**549,624**	567,657	**—**	—
— derivative financial instruments	**120**	252	**—**	—
Loans and receivables#	**1,064,520**	713,143	**2,556,184**	1,693,118
Available-for-sale financial assets	**134,283**	166,428	**3,300**	3,300
Financial liabilities				
Financial liabilities at amortised cost^	**1,575,386**	971,655	**1,311,564**	440,402

\# *including trade and other receivables, loans receivable, amounts due from subsidiaries, associates and other related parties, finance lease receivables, restricted bank deposits and cash at bank and deposited with security brokers.*

^ *including trade payables, other payables and accruals, refundable deposit received, amounts due to subsidiaries, associates and other related parties, bank borrowings and other liabilities.*

53.2 Financial results by financial instruments

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Fair value gain/(loss) on:		
Financial assets at fair value through profit or loss		
– investments held for trading	**(74,350)**	107,936
Derivative financial instruments	**937**	4,953
(Decrease)/Increase in fair value of:		
Available-for-sale financial assets	**(32,145)**	51,100
Interest income or (expenses) on:		
Loans and receivables	**10,264**	14,722
Financial liabilities at amortised cost	**(15,302)**	(15,826)
Dividend income from:		
Financial assets at fair value through profit or loss		
– investments held for trading	**13,790**	11,864
Available-for-sale financial assets	**1,786**	386
Reversal of impairment loss/(Impairment loss) on:		
Loans and receivables	**12,485**	(56,365)
Available-for-sale financial assets	**—**	(1,334)

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

53.3 Fair value measurement

(a) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31st December, 2013 and 2012 across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31st December, 2013				
Financial assets				
Available-for-sale financial assets				
— Listed equity securities	**119,978**	**—**	**—**	**119,978**
— Unlisted investment funds	**—**	**11,005**	**—**	**11,005**
Investments held for trading				
— Listed equity securities	**549,624**	**—**	**—**	**549,624**
Derivative financial instruments	**—**	**120**	**—**	**120**
As at 31st December, 2012				
Financial assets				
Available-for-sale financial assets				
— Listed equity securities	151,312	—	—	151,312
— Unlisted investment funds	—	11,816	—	11,816
Investments held for trading				
— Listed equity securities	529,140	—	—	529,140
— Listed debt securities	38,517	—	—	38,517
Derivative financial instruments	—	252	—	252

During the years ended 31st December, 2013 and 2012, there were no transfers between instruments in Level 1 and Level 2.

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and other receivables including loan receivables and finance lease receivables, balances with subsidiaries, associates and other related parties, bank balances including restricted cash deposits, trade payables and other payables, bank borrowings and other liabilities.

Due to their short-term nature, the carrying values of trade and other receivables including current loan receivables and current finance lease receivables, amount due from an investee and an associate, amount due from non-controlling interest, bank balances including restricted cash deposits, trade payables and other payables, current bank borrowings and current other liabilities approximate their fair values.

For disclosure purpose, the fair values of non-current portion of loan receivables, finance lease receivables, bank borrowings and other liabilities are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group.

54. FINANCIAL RISK MANAGEMENT

54.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

54.2 Market risk

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in US$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continues to conduct its sales mainly in US$ and RMB and make payments either in US$, HK$ or RMB. In addition, the Group's bank borrowings were mainly denominated in HK$ and US$. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

The overall exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2013 and 2012 were as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Net financial assets/(liabilities)		
US$	**49,928**	(4,995)
RMB	**441,312**	(317)

In respect of those group entities with HK$ as functional currency, as HK$ is pegged to US$, the Group does not have material exchange risk on such currency. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK$ on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
	Increase/ (Decrease) in profit for the year and retained profits	Increase/ (Decrease) in profit for the year and retained profits
RMB against HK$		
— strengthen by 5% (2012: 5%)	**18,425**	(13)
— weaken by 5% (2012: 5%)	**(18,425)**	13

The changes in the exchange rate do not affect the Group's other components of equity.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.2 Market risk *(Continued)*

(ii) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is exposed to equity price risk arising from its investments held for trading (see note 31) and the available-for-sale financial assets (note 22).

The Group's investments in equity of other entities are publicly traded mainly in the stock exchanges of Hong Kong and Mainland China and United States (2012: Hong Kong and Mainland China). Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity and debt securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Group's results due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2013 HK$'000 Increase/ (Decrease) in profit for the year and retained profits	2012 HK$'000 Increase/ (Decrease) in profit for the year and retained profits
Hong Kong — Hang Seng Index		
+9% (2012: +11%)	**11,726**	7,913
–9% (2012: –11%)	**(11,726)**	(7,913)
United States — NASDAQ Composite Index		
+9%	**507**	—
–9%	**(507)**	—
PRC — CSI 300 Index		
+16% (2012: +23%)	**66,193**	105,156
–16% (2012: –23%)	**(66,193)**	(105,156)

If the prices of the equity securities classified as available-for-sale financial assets had been 9% (2012: 11%) higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$7,711,000 (2012: HK$16,644,000).

The Group is also exposed to price risk arising from its investment in unlisted investment funds and listed debt securities on OTC market. The effect on the Group's profit after tax as a result of a reasonably possible change in the market price of the underlying investments, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP
	2012 HK$'000 Increase/ (Decrease) in profit for the year and retained profits
Market price of listed debt securities	
2012: +5%	1,926
2012: –5%	(1,926)

The Group did not hold any listed debt securities as at 31st December, 2013 and accordingly, no sensitivity analysis illustrating the effect of a change in market price of listed debt securities is presented.

If the prices of the unlisted investment funds classified as available-for-sale financial assets had been 14% (2012: 10%) higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$1,541,000 (2012: HK$1,182,000).

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.2 Market risk *(Continued)*

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2013, approximately 82% (2012: 60%) of the bank borrowings bore interest at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at the reporting date are disclosed in note 36.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest-bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		**THE COMPANY**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(Decrease) in profit for the year and in retained profits				
Increase/Decrease in basis points ("bp")				
+50 bp (2012: +50 bp)	**(4,142)**	(1,608)	**(3,724)**	(1,082)
–10 bp (2012: –10 bp)	**745**	245	**745**	216

The changes in interest rates do not affect the Group's and the Company's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of borrowings outstanding at the reporting date resembles that of the current financial year.

54.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at the end of each reporting year to ensure that adequate impairment losses are made for irrecoverable amounts. Credit risk on cash and bank balances and restricted bank deposit (note 32) is mitigated as cash is deposited in banks of high credit rating. As to investment strategies, usually investments are in liquid securities quoted on recognised stock exchanges. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Credit risk *(Continued)*

Concentration of credit risk is managed by the customer or counterparty. At 31st December, 2013, 32% (2012: 26%) of the total trade receivables was due from the Group's largest customer (determined by sale) within the business segment – electrical appliances.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 28.

54.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities of the Group's and the Company's financial liabilities as at 31st December, 2013 which are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

	THE GROUP					
	Less than 1 year HK$'000	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
As at 31st December, 2013						
Interest-bearing bank borrowings *(note (a))*	**622,323**	**82,137**	**568,033**	**—**	**1,272,493**	**1,201,095**
Trade payables	**87,340**	**—**	**—**	**—**	**87,340**	**87,340**
Other payables and accruals	**228,688**	**—**	**—**	**—**	**228,688**	**228,688**
Amount due to a related party	**291**	**—**	**—**	**—**	**291**	**291**
Amount due to a director	**21,075**	**—**	**—**	**—**	**21,075**	**21,075**
Other liabilities	**11,625**	**8,162**	**8,792**	**—**	**28,579**	**25,584**
Loan from non-controlling interest	**—**	**—**	**—**	**5,112**	**5,112**	**5,112**
Consideration payable on acquisition of a subsidiary	**6,201**	**—**	**—**	**—**	**6,201**	**6,201**
	977,543	**90,299**	**576,825**	**5,112**	**1,649,779**	**1,575,386**
As at 31st December, 2012						
Interest-bearing bank borrowings *(note (a))*	400,675	219,478	16,226	—	636,379	628,684
Trade payables	75,068	—	—	—	75,068	75,068
Other payables and accruals	213,948	—	—	—	213,948	213,948
Amount due to a related party	291	—	—	—	291	291
Amounts due to directors	24,500	—	—	—	24,500	24,500
Other liabilities	4,511	9,749	13,865	—	28,125	24,493
Loan from non-controlling interest	—	—	—	4,671	4,671	4,671
	718,993	229,227	30,091	4,671	982,982	971,655

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.4 Liquidity risk *(Continued)*

THE COMPANY

	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying Amount HK$'000
As at 31st December, 2013						
Interest-bearing bank borrowings *(note (a))*	**455,632**	**82,137**	**568,033**	**—**	**1,105,802**	**1,034,404**
Other payables and accruals	**26,661**	**—**	**—**	**—**	**26,661**	**26,661**
Amount due to a director	**9,075**	**—**	**—**	**—**	**9,075**	**9,075**
Amounts due to subsidiaries	**241,424**	**—**	**—**	**—**	**241,424**	**241,424**
	732,792	**82,137**	**568,033**	**—**	**1,382,962**	**1,311,564**
As at 31st December, 2012						
Interest-bearing bank borrowings *(note (a))*	145,582	219,478	16,226	—	381,286	373,590
Other payables and accruals	25,013	—	—	—	25,013	25,013
Amounts due to directors	12,500	—	—	—	12,500	12,500
Amounts due to subsidiaries	29,299	—	—	—	29,299	29,299
	212,394	219,478	16,226	—	448,098	440,402

Notes:

(a) For certain term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The table that follows summaries the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks or financial institutions will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

THE GROUP
Maturity analysis — bank borrowings based on scheduled repayments

	Within 1 year HK$'000	In 2 to 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash outflows HK$'000	Total carrying amount HK$'000
31st December, 2013	**522,106**	**760,593**	**11,720**	**1,294,419**	**1,201,095**
31st December, 2012	323,230	262,374	71,099	656,703	628,684

(b) The contractual financial guarantees provided by the Company are disclosed in note 50. As assessed by the directors, it is not probable that the banks or financial institutions would claim the Company for losses in respect of the guarantee contracts and it is not probable that the subsidiaries of the Company would default repayment of bank borrowings. Accordingly, no provision for the Company's obligations under the guarantees has been made. The contractual maturity of these guarantees is "on demand".

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31st December, 2013 are as follows:

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Atlantic Property Limited	USA	Ordinary	500 shares of US$1 each	—	100%	Property investment
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	—	100%	Property investment
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	—	Securities trading
Famous Union Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	—	100%	Property development
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Property investment
Fortress Link Investment Limited	Hong Kong	Ordinary	1 share of HK$1	—	100%	Property development
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	100%	—	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	—	100%	Investment holding
Grand Sea Development Limited	Hong Kong	Ordinary	1 share of HK$1	—	100%	Investment holding
Guangzhou SMC Car Rental Company Limited	PRC^	Paid up capital	HK$145,000,000	—	100%	Taxi operations
Landwick Development Limited	Hong Kong	Ordinary	1 share of HK$1	—	100%	Property development
Netlink Assets Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Computer software development
New Style Development Limited	Hong Kong	Ordinary	1 share of HK$1	—	100%	Property development
PFC Device Corporation	British Virgin Islands	Preferred	4,956,153 shares of (US$5,522,820)	—	95.5%	Design and trading of semiconductors and electric components
		Common	105,000 shares of (US$105,000)			
PFC Device Holdings Limited	British Virgin Islands	Preferred	4,956,153 shares of (US$5,522,820)	—	95.5%	Investment holding
		Common	105,000 shares of (US$105,000)			
PFC Device (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	—	95.5%	Trading of semiconductors and electric components

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Quanta Global Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	—	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	—	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	—	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US$1	—	100%	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	1,000 shares of HK$10 each	100%	—	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC*	Paid up capital	US$6,792,000	—	90.1%	Manufacturing and trading of welded tubes and property investment
Silvergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Investment holding
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$1 each	—	100%	Property investment
SMC LED Corporation	USA	Ordinary	500 shares of US$1 each	100%	—	Trading of LED products
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US$1,021 each	100%	—	Marketing of the Group's products
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	—	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$1 each	—	100%	Contract manufacturing for optics and imaging
SMC Multi-Media Trading Company Limited	Hong Kong	Ordinary	1 share of HK$1 each	—	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	—	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$1 each	—	100%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	1 share of HK$1	100%	—	Holding trade mark and patent of the Group
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	—	Investment holding
Timely Hero Limited	Samoa	Ordinary	1 share of US$1	100%	—	Investment holding

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Vineyard Management Company	USA	Ordinary	1,000 shares of US$10 each	—	100%	Property investment
Wellfame Development Limited	Hong Kong	Ordinary	1 share of HK$1	—	100%	Property development
佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	—	100%	Manufacturing and trading of electrical appliances
業盈置業(深圳)有限公司	PRC^	Paid up capital	HK$10,000,000	—	100%	Property investment
蜆壳星盈科技(深圳)有限公司	PRC^	Paid up capital	HK$40,000,000	—	100%	Computer software and hardware development
佛山市順德區國潤投資有限公司	PRC#	Paid up capital	RMB600,000	—	100%	Investment holding
廣東匯泓投資有限公司	PRC#	Paid up capital	RMB11,160,000	—	70%	Investment holding
廣州匯朗物業管理有限公司	PRC#	Paid up capital	RMB1,000,000	—	70%	Property development
普福斯電子元件(深圳)有限公司	PRC^	Paid up capital	US$60,100	—	95.5%	Design and trading of semiconductors and electric components

The financial statements for the above subsidiaries were audited by BDO Limited for statutory purpose and/or for the purpose of Group consolidation.

^ *The companies are incorporated in the PRC as wholly-owned foreign enterprises.*
* *The company is incorporated in the PRC as sino-foreign equity joint ventures.*
\# *The company is incorporated in the PRC as limited liability company.*

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

56. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associates	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	—	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.	PRC^	Paid up capital	US$59,000,000	—	20%	Property development

The financial statements for the above associates were audited by BDO Limited for the purpose of Group consolidation.

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group.

57. PARTICULARS OF JOINT VENTURES

Name of joint ventures	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Appeon Corporation (HK) Limited	Hong Kong	Class A voting	50,000 shares of HK$0.01 each	—	50%	Investment holding and sale of software licence
		Class B non-voting	50,000 shares of HK$0.01 each	—	52.36%	
艾普陽軟件(深圳)有限公司	PRC^	Paid up capital	US$500,000	—	51.18%	Computer software and hardware development

The financial statements for the above joint ventures were audited by BDO Limited for the purpose of Group consolidation.

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*