2013 ANNUAL REPORT

百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code : 617)

Contents

Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Donald Fan Tung
(Chief Operating Officer)
Lo Po Man
Kenneth Ng Kwai Kai
Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)
Lo Yuk Sui
Ng Siu Chan

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street, Hamilton HM 11, Bermuda

BRANCH REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

26 Burnaby Street, Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,
Causeway Bay,
Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.paliburg.com.hk

Directors' Profile

Mr. Lo Yuk Sui, *aged 69; Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as the Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986, respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited ("RHIHL") and Cosmopolitan International Holdings Limited ("Cosmopolitan"), both listed subsidiaries of the Company, and the chairman and a non-executive director of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Jimmy Lo Chun To, *aged 40; Vice Chairman, Executive Director and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been elected as the Vice Chairman and appointed as the Managing Director in 2013. He is also an executive director and a vice chairman of CCIHL, an executive director of RHIHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Donald Fan Tung, *aged 57; Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

Mr. Bowen Joseph Leung Po Wing, *GBS, JP, aged 64; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited, North Asia Resources Holdings Limited and Quali-Smart Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also acts as special consultant to the board of directors of Sands China Limited, which is a company listed on the Stock Exchange.

Miss Lo Po Man, *aged 34; Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a Bachelor's Degree in Psychology. She is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo joined the RHIHL group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the RHIHL group and also undertakes responsibilities in the business development function of the Century City group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, *aged 59; Executive Director* — Appointed to the Board in 1995. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary. He is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Ng, previously a non-executive director of Cosmopolitan, has been re-designated as an executive director of Cosmopolitan in December 2013.

Mr. Ng Siu Chan*, aged 83; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is a company listed on the Stock Exchange.

Hon Abraham Shek Lai Him*, GBS, JP, aged 68; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a Member of the Court of The Hong Kong University of Science and Technology, Member of both of the Court and the Council of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Ltd., Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.

***Mr. Wong Chi Keung**, aged 59; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

***Mr. Kenneth Wong Po Man**, aged 48; Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has been with the Group for over 20 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong, previously a non-executive director of Cosmopolitan, has been re-designated as an executive director and the chief operating officer of Cosmopolitan in December 2013.

Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2013.

FINANCIAL RESULTS

For the year ended 31st December, 2013, the Group achieved a consolidated profit attributable to shareholders of HK$322.9 million, as compared to the profit of HK$2,294.3 million recorded for 2012.

As the profit recorded for the preceding year included a one-off net accounting gain of HK$2,118.4 million arising from the consolidation of Regal Hotels International Holdings Limited, previously a listed associate of the Company, as a listed subsidiary of the Company based on the fair values of its assets and liabilities as at 7th May, 2012, the profit attained for the year under review was substantially lower. Moreover, the hotel properties owned by Regal Real Estate Investment Trust, the listed subsidiary of Regal, including the five initial Regal Hotels which are leased to a wholly owned subsidiary of Regal, are classified in the Group's financial statements as property, plant and equipment and are subject to depreciation charges to accord with the accounting standards. Accordingly, depreciation charges in the amount of HK$442.1 million have been provided in respect of the hotel properties in the Group's results for the year which, though having no cash flow impact, have nonetheless adversely affected the reported profit.

The Group's overall business operations have continued to achieve satisfactory progress. The gross profit for the year ended 31st December, 2013 amounted to HK$1,197.8 million, which represented an increase of 66.3% over the HK$720.4 million attained last year.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK9.3 cents per ordinary share for the year ended 31st December, 2013, representing an increase of 5.7% over the final dividend of HK8.8 cents per ordinary share paid for the last financial year. This proposed final dividend will absorb an amount of approximately HK$103.7 million (2012 – HK$98.1 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 11th June, 2014.

Together with the interim dividend of HK2.2 cents (2012 – HK2.0 cents) per ordinary share paid in October 2013, total dividends per ordinary share for the year ended 31st December, 2013 will amount to HK11.5 cents (2012 – HK10.8 cents), representing an increase of 6.5% over the total dividends paid in 2012.

BUSINESS OVERVIEW

During the year under review, the Group has acquired additional shares in Regal and Regal has also repurchased, at different times, some of its own shares under the share repurchasing mandate granted by its shareholders. As a result, the Group's shareholding interests in Regal have increased from 51.3% as at the beginning of 2013 to 58.2% as at year end date. As the ordinary shares of Regal were trading at a substantial discount to its underlying net asset value, such purchases and repurchases of shares of Regal have served to enhance the net asset value of the Company. Consequently, the book net assets attributable to shareholders of the Company have increased from HK$9.98 per share as at the preceding balance sheet date to HK$10.90 per share as at 31st December, 2013.

While the strategic controlling interests in Regal have always been one of the most significant investments of the Group, the Group's core businesses are principally focused on property development and investment in Hong Kong and the People's Republic of China. During the year, the Group has implemented a series of corporate transactions to rationalise the asset holding structure with respect to its core property businesses. Presently, all of the Group's existing property development projects in Hong Kong are undertaken by P&R Holdings Limited, a joint venture 50/50 held by each of Regal and the Company, while its property development and investment businesses in the PRC will be undertaken by Cosmopolitan International Holdings Limited, which is now a listed subsidiary of the Company held through P&R Holdings. Details of these corporate transactions as well as the operating results of Regal and Cosmopolitan for the year are further elaborated below.

PROPERTIES

Affected by the heavy tax levies imposed by the Government of Hong Kong on property transactions in Hong Kong, the real estate sector in Hong Kong during the year under review has remained stagnant, particularly in the secondary market, with property prices having generally adjusted downwards. The property market in Hong Kong is likely to remain lacklustre in the near term, but the Group remains confident of its long term prospects due to the limited supply of development lands, particularly in prime areas, and the strong underlying demands for properties. The Group has taken the opportunity to expand, through P&R Holdings, its property development portfolio during the past year.

P&R Holdings was initially established in April 2011 as a 50/50 joint venture of Regal and the Company to engage in property development, property investment and related businesses, so as to fully capitalise on the combined financial resources and professional expertise of the two groups. As Regal became a subsidiary of the Company in May 2012, P&R Holdings has effectively also become a subsidiary of the Company.

Since its establishment in 2011, P&R Holdings has acquired a total of seven property development projects in Hong Kong, including four hotel projects, with two in Sheung Wan, one in North Point and one in To Kwa Wan, a residential project in Yuen Long, a shopping mall project in Ma On Shan and, more lately, the residential project in Kau To.

The residential project in Kau To is situated at Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, which was acquired through a government tender held in September 2013. The site has a site area of 17,476 square metres and is presently planned to be developed into 7 mid-rise residential apartment blocks with about 136 units and 21 luxury houses with a total gross floor area of approximately 32,470 square metres.

Most recently, a wholly owned subsidiary of P&R Holdings has won the contract from the Urban Renewal Authority of Hong Kong for the residential-cum-commercial development of the Shun Ning Road project in Sham Shui Po, Kowloon by tender. The project has a site area of approximately 825 square metres and the development is expected to have total residential gross floor area of approximately 5,960 square metres and total commercial gross floor area of approximately 1,200 square metres. This cooperation with the Urban Renewal Authority has opened up for P&R Holdings a new avenue for the undertaking of property developments in Hong Kong.

As disclosed in the 2013 Interim Report, P&R Holdings entered into a Share Purchase Agreement on 28th June, 2013 with Regal REIT for the sale to Regal REIT of the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan at a consideration of HK$1,580 million, based on an independent valuation of the hotel property as of 25th June, 2013 on an as-completed basis. The occupation permit for the property was issued in January 2014 and the requisite transactions under the Share Purchase Agreement have been subsequently completed on 10th February, 2014. The consideration received on the sale of this hotel represented a surplus of approximately HK$853 million over the estimated total development costs to P&R Holdings, including the costs for the completion of the agreed interior fit-out works. Though the gain derived by P&R Holdings would not be reflected in the Group's results due to consolidation elimination under the existing corporate structure in accordance with the accounting standards, this sale transaction has generated substantial cash proceeds to P&R Holdings to fund its acquisitions of new property projects.

Simultaneously with the Share Purchase Agreement, P&R Holdings also entered into an Option Agreement with Regal REIT in June 2013, pursuant to which an option was granted to Regal REIT to acquire the 338-room hotel under development in North Point. If the option is exercised by Regal REIT, the final sale consideration will be determined in accordance with the agreed terms in the Option Agreement, basing on an updated market valuation by the independent professional valuer jointly appointed by the parties. The construction works on this new hotel have now been completed and the application for the issue of the occupation permit has recently been submitted. Details of the Option Agreement were likewise disclosed in the 2013 Interim Report.

With the objective that P&R Holdings and Cosmopolitan would have their property businesses separately focused in Hong Kong and the PRC, respectively, agreements were entered into by P&R Holdings and a joint venture 50/50 held by Regal and Cosmopolitan on 27th June, 2013 for the sale of their 70% and 30% equity interests, respectively, in the mixed-use development project under development in Xindu District, Chengdu City, to a wholly owned subsidiary of Cosmopolitan, with the sale consideration determined based on a 5% discount to the independent valuation of the Chengdu project of RMB1,540 million as of 31st May, 2013. This sale transaction was completed in September 2013 before Cosmopolitan became a subsidiary of the Company and the attributable gain derived from the transaction has been reflected in the results of the Group under review.

As part of the series of transactions with Cosmopolitan completed in September 2013, P&R Holdings has acquired from Cosmopolitan the properties owned by Cosmopolitan in Hong Kong, comprising ten residential duplex units and fourteen car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long, based on an independent valuation of the properties as of 31st May, 2013. The properties are presently intended to be held for rental income and, up to now, a total of four units have been leased out.

Further details on the development projects and properties of P&R Holdings are contained in the section headed "Management Discussion and Analysis" in this Annual Report.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's development consultancy division continues to provide support to different members of the Group with respect to the professional services on the architectural, engineering and interior design aspects for all the property development and hotel renovation projects. Chatwin Engineering Limited, the Group's wholly owned construction arm, is undertaking the main contract works for the hotel development projects of P&R Holdings at Bonham Strand in Sheung Wan, which have been completed, and at Merlin Street in North Point, which is near completion. Chatwin has recently also been awarded the main contract works for the residential project of P&R Holdings in Yuen Long through competitive tender process.

OTHER INVESTMENTS

The Group holds a sizable portfolio of investments in a wide range of listed financial assets, bonds and financial instruments, including treasury and yield enhancement products denominated in Renminbi.

As part of its investment portfolio, the Group had held significant interests in the ordinary shares and convertible bonds of Cosmopolitan, while separate interests in Cosmopolitan were also held by Regal. In August 2013, the Group and the Regal group entered into an agreement to sell all their respective holdings in the issued shares and convertible bonds of Cosmopolitan to P&R Holdings, so that the interests previously held by two separate groups will be consolidated into one strategic block held through the jointly controlled P&R Holdings. These transactions have been implemented shortly after the requisite approval by the independent shareholders of Regal on 7th September, 2013.

Later in the same month, P&R Holdings further acquired approximately 19.4% of the then issued share capital of Cosmopolitan from the then single largest shareholder of Cosmopolitan and converted all the convertible bonds of Cosmopolitan into new ordinary shares of Cosmopolitan. As a result of these further acquisition and conversions, P&R Holdings has come to own approximately 67.5% of the issued share capital of Cosmopolitan and has accordingly made an unconditional mandatory general cash offer for all the issued ordinary shares of Cosmopolitan not already owned by P&R Holdings and its concert parties, which offer has duly closed on 2nd December, 2013. Details of these transactions were contained in the joint announcement by the Company dated 30th September, 2013.

With the aim to enhance the yield on the liquid capital and to broaden the income base of the Group, a wholly owned subsidiary of the Company, as the lender, has entered into an Entrusted Loan Agreement with an independent third party in October 2013 for the lending of an entrusted secured loan in the principal amount of up to RMB200 million for a term of 6 months at an interest rate of 15% per annum, which was considered to be satisfactory having regard to the prevailing benchmark interest rate for fixed deposits in Renminbi. Further details with respect to this lending transaction were contained in the joint announcement by the Company dated 15th October, 2013. The drawdown of the entrusted loan under the loan agreement was subject to the fulfillment of certain conditions precedent. As the conditions precedent have not been fulfilled, the loan agreement has recently been terminated and the loan proceeds were released and returned to the Group. In any event, the fixed interest for a period of 4 months paid in advance by the borrower has been received by the Group for its account in accordance with the terms of the loan agreement.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2013, Regal achieved a consolidated profit attributable to shareholders of HK$256.9 million, as compared to the profit of HK$536.3 million attained in 2012.

The profit achieved for 2013 was comparatively lower than that of last year primarily due to the fact that for 2012, there were a one-off gain on realisation of hedge reserve as well as the gain from the disposal of two houses in Regalia Bay, while for the year under review, there were increased finance costs on the medium term notes issued by Regal REIT and Regal to finance business expansions.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

During the year under review, the United States began tapering its quantitative easing programmes with indications of a self-sustaining recovery, while the European economies were on the whole showing signs of stabilising. In Asia, Japan was striving to turnaround its stagnant economy by fiscal stimulus and monetary easing measures, whereas in the PRC, the Gross Domestic Product increased by 7.7% year-on-year, maintaining the same level as in the preceding year. In the meanwhile, Hong Kong's economy remained resilient, with the Gross Domestic Product having increased by 2.9% year-on-year.

In 2013, visitor arrivals to Hong Kong surged by 11.7% year-on-year to a total of over 54 million, fueled mainly by the strong growth of visitors from Mainland China, but more than half of the arrivals were same day visitors which had little impact on the hotel sector. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2013 was 89%, which was the same level as that in 2012, while the industry-wide average achieved room rate experienced a slight downward adjustment of 2.8%.

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2013, the Regal group held approximately 74.6% of the total outstanding issued units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, acts as the REIT Manager.

For the year ended 31st December, 2013, Regal REIT achieved a consolidated net profit before distributions to Unitholders of HK$342.6 million, as compared to HK$3,548.8 million recorded for the year 2012. The decrease in the reported profit was largely attributable to the fact that for the preceding year, the profit achieved included a significant gain of HK$3,068.0 million derived from the changes in the fair values of Regal REIT's investment properties. Benefitting from the increased rental receipts, the total distributable income for Regal REIT for the year under review amounted to HK$497.1 million, an increase of 7.0% over the HK$464.7 million reported last year.

Apart from the five initial Regal Hotels which are owned by Regal REIT and leased to a wholly owned subsidiary of Regal, Regal REIT owns and self-operates the Regal iClub Hotel in Wanchai. This Regal iClub Hotel continued to enjoy strong demand during the year, with the occupancy rate reaching to almost 100% from 97.4% last year. However, due to price competition from some new hotels, the average room rate has reduced by 7.4% year-on-year.

In 2013, over 510 hotel guestrooms and suites within Regal REIT's portfolio were renovated under the regular capital expenditure programmes to maintain the high competitive standards of the room inventory. The second phase of the conversion works at the Regal Oriental Hotel to add another 28 rooms on the 2nd floor was recently completed and the hotel room count increased to 494 rooms. As at 31st December, 2013, the total room inventory of the six operating hotels owned by Regal REIT boosted an aggregate of 3,984 guestrooms and suites.

As mentioned above, Regal REIT has acquired from P&R Holdings the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan at a consideration of HK$1,580 million. The property has been leased by Regal REIT to a wholly owned subsidiary of Regal effective from 10th February, 2014, with rentals for the first 3 years having been fixed at HK$79.0 million, HK$82.95 million and HK$86.9 million per annum, respectively.

The acquisition of this 34-storey hotel property has added another 248 guestrooms and suites to the hotel portfolio of Regal REIT. The hotel will be named as the "iclub Sheung Wan Hotel" under the "iclub by Regal" brand, and will be operated as an upscale select-service hotel modelled on the successful operations of the Regal iClub Hotel in Wanchai. It is anticipated that the hotel will commence operations in the first half of 2014, after the hotel and other relevant licences have been granted.

Simultaneously with the Share Purchase Agreement, Regal REIT also entered into an Option Agreement with P&R Holdings in June 2013, pursuant to which an option was granted to Regal REIT to acquire the new 338-room hotel under development in North Point.

HOTEL OPERATIONS

The five initial Regal Hotels in Hong Kong are operated by a wholly owned subsidiary of Regal as lessee. The combined average occupancy rate for these five hotels for the year was 90.2%, which was slightly above the level in 2012 and while the average room rate was down by 1.0% year-on-year, nonetheless this performance was better than the industry average. The total net property income generated by the five hotels for 2013 amounted to HK$881.0 million, which represented an excess of HK$147.0 million over the aggregate annual base rent of HK$734.0 million, 50% of which was attributable to Regal REIT as variable rent.

The rental review for the leasing of the five initial Regal Hotels for 2014 was completed in August 2013. The aggregate annual base rent for 2014 has been determined at HK$743.0 million, reflecting a moderate increase of 1.2% over the annual base rent of HK$734.0 million for 2013, with variable rent continuing to be based on the same 50% sharing of the excess of the aggregate net property income of the five hotels over the aggregate base rent.

As mentioned above, a wholly owned subsidiary of Regal has additionally leased the new "iclub Sheung Wan Hotel" from Regal REIT for a fixed term of 5 years from 10th February, 2014, which is extendable for a further term of 5 years at the option of Regal REIT.

To further strengthen the marketing platform and to enhance internet connectivity, a new centralised property management system connecting all the Regal group's hotels in Hong Kong is being implemented, and an increasing number of room reservations is being made through the internet.

HOTEL MANAGEMENT

All the six Regal Hotels operating in Hong Kong, as well as the soon to open “iclub Sheung Wan Hotel”, are managed by Regal Hotels International Limited, the wholly owned management arm of the Regal group in Hong Kong.

The Regal group is presently managing five operating hotels in the PRC, four of which are situated in Shanghai. There are ten other hotel projects under development in the PRC which will also be managed by the Regal group. These hotel projects are targeted to be completed within the next two years, with the Regal Airport Hotel, Xian and the Regal Yuhong Hotel in Zhengzhou scheduled first to come on stream in the second half of 2014.

PROPERTIES

As disclosed in the 2013 Interim Report, the Regal group entered into a sale and purchase agreement with a wholly owned subsidiary of Cosmopolitan on 27th June, 2013 for the sale of the plot of development land in Tianjin City in the PRC, which was acquired by the Regal group through a public land auction in October 2012. On that same date, separate agreements were also entered into by P&R Holdings and a joint venture 50/50 owned by Cosmopolitan and the Regal group to sell their respective 70% and 30% interests held in the property project under development in Chengdu City, Sichuan to the Cosmopolitan group. All these transactions have been duly completed in September 2013 and the attributable gain derived by the Regal group has been reflected in its results for the year under review.

The Regal group still retains 19 houses in Regalia Bay, Stanley, four of which are under lease to independent third parties. Having regard to the very few supply of luxury residential accommodation on Hong Kong Island, the Regal group will continue to hold on to these properties and may consider leasing out more of these houses for rental income, unless the price offered by interested purchasers are satisfactory.

OTHER INVESTMENTS

The Regal group maintains a substantial portfolio of investments comprising listed financial assets and other investments, including investment funds, bonds, as well as treasury and yield enhancement investment products denominated in Renminbi.

The Regal group currently owns two aircraft under its aircraft ownership and leasing business, which have been undertaken with a view to generating for the Regal group an alternative source of steady recurring income. The first aircraft is an Airbus A321-211 acquired in December 2012, which is wholly owned by Regal and the second aircraft is an Airbus A321-200, which was acquired in July 2013 through an 85% owned subsidiary of the Regal group. Both aircraft are managed by a professional asset manager and have been leased to two separate airline operators, for a term of 72 months and 60 months, respectively, at satisfactory rental levels.

The Regal group has a 36% interest in 8D Matrix Limited, an associate of Regal, which wholly owns Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, Century Innovative Technology). The other shareholding interests in 8D Matrix are effectively held as to 52% by Mr. Lo Yuk Sui (the chairman and controlling shareholder of Century City International Holdings Limited) and the remaining 12% by Century City. Century Innovative Technology is principally engaged in the online education, entertainment and technology businesses based on the “Bodhi and Friends” characters with business operations mainly based in Shenzhen, the PRC. Century Innovative Technology has produced a 3D animated television series which are currently broadcasted primetime on CCTV (China’s leading national television network), the major children channels of all key satellite TV stations as well as 7 major video streaming portals and also to be broadcasted on 70 other channels in the PRC. Its initial portfolio of products includes online learning platform, featuring 3D English learning courseware and educational APPs, mobile games and community games, and educational toys. Century Innovative Technology is positioned as one of the leading online communities in the PRC that integrates entertainment, education, assessment, e-commerce and communication.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan became a listed subsidiary of the Group on 16th September, 2013 and as at 31st December, 2013, the Group held through P&R Holdings a 67.5% shareholding interest in Cosmopolitan. To align with the financial year end date of the Group, Cosmopolitan has changed its financial year end from 31st March to 31st December.

For the nine-month period ended 31st December, 2013, Cosmopolitan recorded a consolidated loss of HK$88.2 million, as compared to the profit of HK$52.8 million (as restated) for the financial year ended 31st March, 2013.

BUSINESS OVERVIEW

During the period under review, the Cosmopolitan group undertook some very strategic and important transactions to acquire two large-scale development projects located in Chengdu and Tianjin, both major cities in the PRC, and has disposed of the investment properties at Rainbow Lodge in Hong Kong.

The Cosmopolitan group has in the past been principally engaged in property investment and development, in Hong Kong and the PRC, and financial assets and other investments. With the completion of these two strategic acquisitions, it is intended that a majority proportion of the businesses of the Cosmopolitan group will in future be focused on property development and investment in the PRC.

To align with the management structure of its parent company and to prepare for the increased business activities of the Cosmopolitan group, a number of changes to the composition of its board of directors and in the roles of key officers were effected on 18th December, 2013 and I was also elected as the new chairman of the board of Cosmopolitan.

PROPERTIES

The property businesses of the Cosmopolitan group are now principally focused in the PRC. Over the past few years, the central government of the PRC has been implementing different measures to cool down the real estate sector in Mainland China and these measures have generated positive effects for a gradual consolidation of the property market.

The Cosmopolitan group has in the meantime taken the opportunity to acquire, as mentioned above, the two large scale development projects in Chengdu and Tianjin, which are being developed in stages. Moreover, the Cosmopolitan group has since 2008 been involved in a re-forestation and land grant project in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC and substantive progress has been achieved during the period under review.

With a view to expanding the Cosmopolitan group's property portfolio and business coverage in the PRC, the Cosmopolitan group has entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement for the possible acquisition and development of a large parcel of land in Wuxi City, Jiangsu Province. More lately in February 2014, a Co-operation Agreement has been secured in respect of the investment in an investee company involved in a resettlement housing project in Tongzhou District, Beijing.

Further detailed information on these projects is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

FINANCIAL ASSETS AND OTHER INVESTMENTS

As the Cosmopolitan group is now principally focused on property development and investment in the PRC, business activities in financial assets investments during the period under review have relatively reduced. However, financial assets and other investment businesses will continue to be part of the principal activities of the Cosmopolitan group and will be deployed to enhance the yield on the liquid resources of the Cosmopolitan group from time to time.

OUTLOOK

REGAL GROUP

The anticipated commissioning date for the Hongkong-Zhuhai-Macao Bridge is scheduled by the end of 2016, which will provide a new land transport link between the east and west coasts of the Pearl River. Moreover, the 26-km long Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is targeted to be completed in 2015. The Express Rail Link will connect Hong Kong with the 16,000-km National High-speed Railway Network and is expected to strengthen Hong Kong's role as the southern gateway to the Mainland. These new infrastructure projects will stimulate further economic growth within the region and bring an increasing number of visitor arrivals to Hong Kong.

The Government of Hong Kong has been taking initiatives to increase Hong Kong's capacity to receive tourists and intends to continue investing in various infrastructural developments and tourism landscapes. These will include the planned expansion of the Hong Kong International Airport into a three-runway system, the Kai Tak Fantasy Project to turn the Kai Tak Development Area, including the Kai Tak International Cruise Terminal, into a recreational landmark, and the continuing expansion projects at Hong Kong Disneyland and the Ocean Park. All these developments will have a significant positive impact in meeting the demands of an increasing number of global and regional visitors to Hong Kong.

The REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to grow. As the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The Regal iClub Hotel in Wanchai has proven to be a successful business model, which has generated for Regal REIT good investment returns and capital appreciation, and the REIT Manager has the same optimistic expectations for the new "iclub Sheung Wan Hotel". Regal REIT has substantial unutilised financing capabilities that can be used to fund its future expansion programmes and will continue to review yield accretive acquisition opportunities, including the new hotel in North Point under the Option Agreement, with a view to achieving enhanced earnings and capital growth.

The Regal group has made substantial investments during the past year in its planned business expansion, including investment in the property and other investment businesses. It is inevitable that the increased finance costs on the medium term notes issued to fund business expansion would have some short term impact on the Regal group's results during the initial period of the investment cycle. The directors of Regal are confident that when the investments undertaken gradually become mature, particularly when the property projects undertaken by P&R Holdings are completed and sold in the course of the next few years, significant cash flow and profit contribution will be generated for the Regal group.

COSMOPOLITAN GROUP

After all the then outstanding convertible bonds in an aggregate principal amount of HK$541.5 million were fully converted into new ordinary shares of Cosmopolitan in September 2013, the capital base of Cosmopolitan has been substantially enlarged and strengthened.

The Cosmopolitan group considers that the gradual consolidation of the real estate sector in the PRC is healthy and beneficial for its stable development. Having regard to the growing affluence and the increasing size of the population, the Cosmopolitan group is optimistic that the property market in Mainland China in the long term will remain prosperous and will continue to actively seek any investment opportunities that may become available at reasonable prices.

Both the Chengdu Project and the Tianjin Project are currently free of any external borrowings and it is anticipated that substantial proceeds will be generated from the presale and/or sale of their component parts over the period of the next two years, a majority portion of which may be utilised to pay off the outstanding considerations payable for the acquisition of the two projects. Nevertheless, given the planned continuing expansion of its asset portfolio, the Cosmopolitan group will review possible avenues to further expand its capital base at appropriate times.

The directors of Cosmopolitan anticipate that when all the projects presently undertaken by the Cosmopolitan group are gradually developed and completed, significant revenues and profits will be generated for the Cosmopolitan group over the coming few years.

PALIBURG GROUP

Apart from the new iclub Sheung Wan Hotel already sold to Regal REIT and the latest development project awarded by the Urban Renewal Authority, P&R Holdings is undertaking six wholly owned ongoing property projects in Hong Kong, ranging from residential to hotel and shopping mall developments, while Cosmopolitan is developing two large scale mixed used complexes in Chengdu and Tianjin in the PRC. All these projects are scheduled to be completed over the course of the next few years, with the potential sale or unit presale of certain of the projects planned to be spanned out from the latter part of this year, which are expected to generate for the Group as a whole substantial cash flow and profit contribution. Moreover, the Group will continue to seek new acquisition opportunities with a view to further expanding its property portfolio in Hong Kong and the PRC. Overall, the Directors are optimistic of the continuing growth and prospects of the Group.

DIRECTORS AND STAFF

On behalf of shareholders, I would like to thank my fellow Directors for their support as well as all management and staff members of their hard work over the past year. Taking this opportunity, I would also like to extend my hearty congratulations to Mr. Jimmy Lo Chun To who has been elected as the Vice Chairman and appointed as the Managing Director of the Company with effect from 18th December, 2013, who will no doubt continue to use his best efforts to contribute to the Company.

LO YUK SUI
Chairman

Hong Kong
31st March, 2014

■ Residential development at Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories in progress

RESIDENTIAL / COMMERCIAL DEVELOPMENTS

HONG KONG

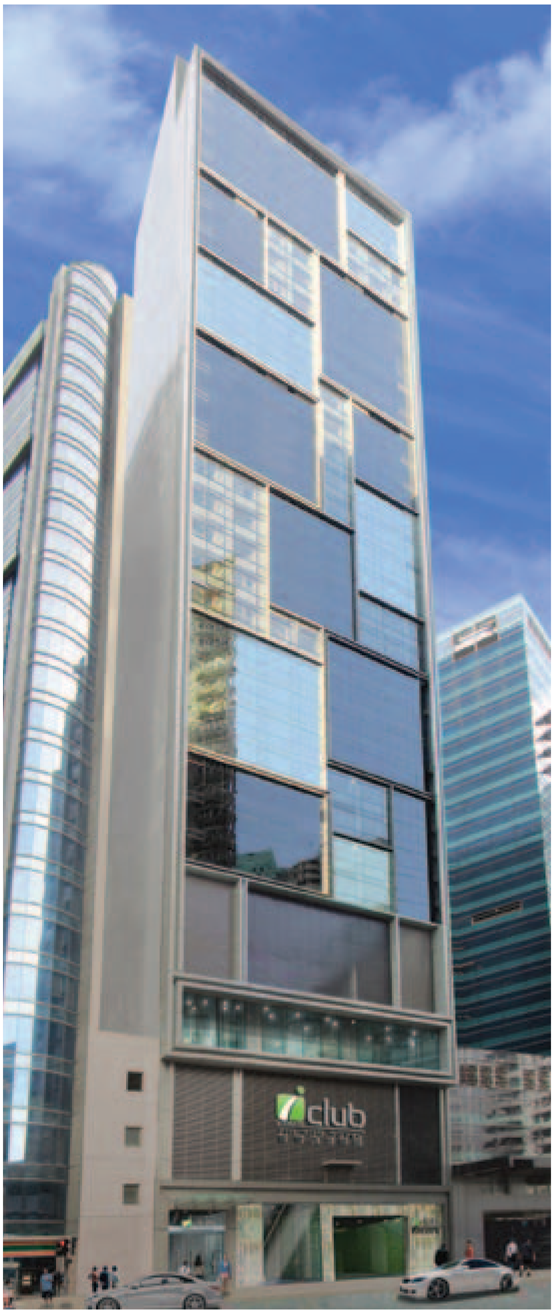
■ Residential apartments and club house facilities of the residential development at Tan Kwai Tsuen Road, Yuen Long

Residential development at Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories - planning works in progress

RESIDENTIAL / COMMERCIAL DEVELOPMENTS
HONG KONG

Commercial development of a shopping mall at Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories - planning works in progress

HOTEL DEVELOPMENTS
HONG KONG



- A new hotel development at Nos. 14 - 20 Merlin Street, North Point is close to completion

- A new hotel to be named as "iclub Sheung Wan Hotel" at Nos. 132 - 140 Bonham Strand, Sheung Wan was completed in January 2014

■ Artist impression of a hotel development at Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon

■ Artist impression of a hotel development at Nos. 5 - 7 Bonham Strand West and Nos. 169 - 171 Wing Lok Street, Sheung Wan

COMPOSITE DEVELOPMENTS

CHENGDU • MAINLAND CHINA

■ Artist impression of a five-star hotel, Regal Xindu Hotel, and the commercial towers of the composite development in Xindu District, Chengdu, Sichuan

■ Artist impression of the residential towers of the composite development

■ Structural frame of the hotel in the first stage of the composite development already completed

■ A composite commercial / office / hotel / residential development in a prime district in Tianjin City

■ Artist impression of the composite development in Tianjin City

■ The development site in Tianjin City

Management Discussion and Analysis

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management and other investments including financial assets investments, and aircraft ownership and leasing business.

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), a principal listed subsidiary of the Group, comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT") (a listed subsidiary of the Company held through RHIHL), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses. As reported in the above section headed "Business Overview", Cosmopolitan International Holdings Limited ("Cosmopolitan") has become a listed subsidiary of the Company since 16th September, 2013, which is held by the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, presently focused in the People's Republic of China (the "PRC"), and financial assets and other investments.

The performance of the Group's property, construction and building related and other investment businesses, RHIHL's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the hotel and property sectors in which the Group operates and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement and in this Management Discussion and Analysis.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this Management Discussion and Analysis.

Joint Venture – P&R Holdings Limited

P&R Holdings is a 50:50 owned joint venture established with RHIHL in April 2011, with capital contributions to be provided by the Company and RHIHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. Pursuant to a supplemental agreement to the shareholders' agreement in respect of P&R Holdings entered into on 20th August, 2013, the business scope of P&R Holdings has been extended from the development of real estate projects for sale and/or leasing and the undertaking of related investment and financial activities to include, additionally, the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Further information relating to the property development projects being undertaken by the P&R Holdings group is set out below:

Hong Kong

Apart from the contract for the Shun Ning Road project in Sham Shui Po, Kowloon, most recently awarded by the Urban Renewal Authority of Hong Kong, all the other development projects currently undertaken by P&R Holdings group in Hong Kong are wholly owned by P&R Holdings group.

Nos.14-20 Merlin Street, North Point

This development project has an aggregate site area of approximately 457 square metres (4,915 square feet) and is being developed into a hotel with about 338 guestrooms, with total gross floor area of approximately 6,849 square metres (73,721 square feet) and the covered floor area of approximately 9,393 square metres (101,105 square feet). The superstructure works have been completed and the application for the issue of the occupation permit has already been submitted recently.

This property is subject to an option to purchase granted to Regal REIT, exercisable at its discretion, pursuant to the Option Agreement as mentioned in the section headed "Business Overview" in the preceding Chairman's Statement and in the Interim Report of the Company for the six months ended 30th June, 2013.

Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories

This development project has a site area of approximately 11,192 square metres (120,470 square feet) and is planned for a residential development with a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works have been commenced. The project is expected to be completed in the first quarter of 2015.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet). The foundation works have been completed and the development is anticipated to be completed in 2016.

Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon

The acquisition of the subject properties was completed in April 2013. The properties have an aggregate site area of approximately 700 square metres (7,535 square feet). The plans for the development of the properties into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet), have been formally approved by the Town Planning Board. The building plans for the development have now also been approved and the foundation works are progressing. This hotel development project is expected to be completed in year 2016.

Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories

This development site, acquired through a government tender held in June 2013, has a site area of 5,090 square metres (54,788 square feet) and a maximum gross floor area of 15,270 square metres (164,364 square feet). The project is presently planned to be developed into a shopping mall and the planning works for the development are currently in progress.

Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories

This development site was acquired through a government tender held in September 2013. The land has a site area of 17,476 square metres (188,100 square feet). The project is presently planned for a residential development comprising 7 mid-rise apartment blocks with about 136 units and 21 luxury houses, having aggregate gross floor area of approximately 32,470 square metres (349,500 square feet). The building plans for the development have recently been submitted to the government authorities for approval.

Mainland China

Regal (Chongqing) Equity Investment Fund, L.P.

P&R Holdings group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., which was established principally to support the businesses undertaken by P&R Holdings group in China. A wholly owned subsidiary of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

Cosmopolitan International Holdings Limited

As mentioned above, Cosmopolitan is now listed subsidiary of the Group held through P&R Holdings. Further information relating to the property development projects being undertaken by the Cosmopolitan group in Mainland China is set out below:

Property Development

Chengdu Project

The Chengdu Project was previously held as to 70% by P&R Holdings and the remaining 30% by a joint venture 50/50 owned by Regal and Cosmopolitan. Pursuant to the transactions completed in September 2013, a wholly owned subsidiary of Cosmopolitan acquired from P&R Holdings and the joint venture their respective interests in the project, with the consideration in each case based on an independent professional valuation of the Chengdu Project of RMB1,540 million as of 31st May, 2013 and with a 5% discount to the valuation, subject to adjustments for other net tangible assets. The Chengdu Project is now 100% owned by the Cosmopolitan group.

The project involves a mixed use development project located in Xindu District in Chengdu, Sichuan Province, consisting of hotel, commercial, office, service apartments and residential components with an overall total gross floor area of approximately 497,000 square metres, which is being developed in stages spanning over a period to 2017. The first stage of the development, which includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 apartment units with car parking spaces and ancillary commercial accommodation, is expected to be completed in 2015. Presale of the residential units in the three residential towers included in the first stage is anticipated to be launched in the fourth quarter of this year.

Tianjin Project

The Tianjin Project was acquired by Cosmopolitan from the RHIHL group as part of the transactions completed in September 2013, with consideration based on an independent professional valuation of the Tianjin Project of RMB1,250 million as of 31st May, 2013 and with a 10% discount to the valuation, subject to adjustments for other net tangible assets.

The project entails a development site located in a prime district in Tianjin City with a total site area of about 31,700 square metres. The development is presently planned to include commercial, office, hotel and residential components with total gross floor area of about 145,000 square metres. The site formation and foundation works for the project have already commenced and the entire development is anticipated to be completed in stages before end of 2016.

Xinjiang Project

This is a re-forestation and land grant project in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC that has been undertaken by the Cosmopolitan group since 2008, which involves a total site area of about 7,600 mu. Up to now, the Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi City, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the re-forested area by the relevant government authorities are already in progress. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded within 2014.

Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop in stages on the land a large scale mixed use complex comprising residential, hotel, recreational and commercial properties.

Wuxi Project

The Cosmopolitan group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for the possible acquisition and development of a parcel of land of about 937 mu (equivalent to approximately 624,270 square metres) located in Huishan District, Wuxi City, Jiangsu Province, the PRC. The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement, which are still in the course of discussions among the parties.

Property Investment

Beijing Tongzhou Project

On 26th February 2014, the Cosmopolitan group entered into a Co-operation Agreement with an independent third party in respect of the investment in an investee company involved in a resettlement housing project in Tongzhou District, Beijing, the PRC. Under the Co-operation Agreement for the Tongzhou Project, the investee company will be 82.5% owned by the Cosmopolitan group and the remaining 17.5% by that third party and the aggregate capital commitments of the Cosmopolitan group will amount to RMB297,000,000. The capital contribution by the Cosmopolitan group is subject to certain prescribed conditions being fulfilled under the Co-operation Agreement.

The investee company is a limited liability company incorporated in the PRC for investing in a primary land development project confirmed by the PRC government and entrusted to the investee company through the Beijing Land Reserve Centre. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres.

The Cosmopolitan group's investment in the Tongzhou Project is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC.

Further detailed information in relation to this Tongzhou Project was contained in the joint announcement of the Company dated 26th February, 2014.

FINANCIAL REVIEW

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in local currency to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes were denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

Cash Flow

Net cash flows used in operating activities during the year under review amounted to HK$3,258.7 million (2012 – net cash flows generated from operating activities of HK$12.9 million). Net interest payment for the year amounted to HK$236.9 million (2012 – HK$77.9 million).

Borrowings and Gearing

As at 31st December, 2013, the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$8,553.9 million (2012 – HK$3,320.2 million).

As at 31st December, 2013, the gearing ratio of the Group was 24.4% (2012 – 10.5%), representing the Group's borrowings net of cash and bank balances and deposits of HK$8,553.9 million (2012 – HK$3,320.2 million), as compared to the total assets of the Group of HK$34,993.4 million (2012 – HK$31,745.1 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2013 are shown in notes 32 and 33 to the financial statements.

Pledge of Assets

As at 31st December, 2013, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK$14,529.3 million (2012 – HK$20,153.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$428.5 million (2012 – HK$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2013, certain ordinary shares in a listed subsidiary with a market value of HK$460.0 million (2012 – HK$338.8 million) were also pledged to secure general banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 42 to the financial statements.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2013 are shown in note 45 to the financial statements.

Contingent Liabilities

The Group had no contingent liability as at 31st December, 2013.

Share Capital

During the year under review, there was no change in the share capital of the Company.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

As mentioned in the preceding Chairman's Statement, during the year under review, various agreements were entered into relating to the disposals of certain subsidiaries of the Group and subsidiaries of a joint venture of the Group, which hold properties in Hong Kong and the PRC, to the Cosmopolitan group and certain subsidiaries of the Group, which hold securities of the Cosmopolitan group, to P&R Holdings and the acquisition of certain subsidiaries of Cosmopolitan, which hold properties in Hong Kong, by P&R Holdings. The Group also acquired additional shares of Cosmopolitan and converted all its convertible bonds issued by the Cosmopolitan group, and, as a consequence, procured a subsidiary of the Group to make an unconditional mandatory general cash offer to acquire all the issued ordinary shares of Cosmopolitan (other than those already owned or agreed to be acquired by the P&R Concert Group (as referred below)). Relevant details of these transactions are set out below.

Disposal of interests in a property development project in Chengdu, the PRC to Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between P&R Holdings as the vendor and Ample State Investments Limited ("Ample State"), a wholly owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of 70% effective interests in the mixed use development project (the "Chengdu Project") at Xindu District, Chengdu, Sichuan Province, the PRC (the "Chengdu Properties"), by way of the transfer of all the interests then held by P&R Holdings (representing 70% of the existing entire issued share capital) in two relevant companies (the "Chengdu Subsidiaries", and together with their respective wholly owned subsidiaries, the "Chengdu Group") and the loans owed to P&R Holdings by the Chengdu Group to Ample State (the "Chengdu Agreement") (the "Chengdu Transaction").

The initial net consideration for the Chengdu Transaction (after offsetting the Novated Liability (as referred to below)) (the "Chengdu Consideration") was approximately HK$642.3 million (subject to adjustments). The Chengdu Consideration was determined primarily based on 70% of the valuation of the Chengdu Properties of RMB1,540.0 million (equivalent to approximately HK$1,940.4 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by P&R Holdings and Ample State and a 5% discount to the valuation, less the Novated Liability of approximately HK$648.1 million. The Chengdu Consideration (with accrued interest) were to be payable within three years after completion of the Chengdu Transaction in any number of instalments at the discretion of Ample State.

Also on 27th June, 2013, a conditional sale and purchase agreement was entered into between Faith Crown Holdings Limited ("Faith Crown"), a joint venture owned as to 50% each by RHIHL and Cosmopolitan, as the vendor and Ample State as the purchaser in relation to the transfer of the remaining 30% effective interests in the Chengdu Properties to Cosmopolitan, by way of the transfer of all the interests then held by Faith Crown (representing 30% of the existing entire issued share capital) in the Chengdu Subsidiaries and the loans owed to Faith Crown by the Chengdu Group to Ample State (the "Other Chengdu Agreement") (the "Other Chengdu Transaction" and together with the Chengdu Transaction, the "Chengdu Transactions").

The initial consideration for the Other Chengdu Transaction (the "Other Chengdu Consideration") was approximately HK$553.0 million (subject to adjustments). The Other Chengdu Consideration was determined based on 30% of the valuation of the Chengdu Properties of RMB1,540.0 million (equivalent to approximately HK$1,940.4 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by Faith Crown and Ample State and a 5% discount to the valuation. The Other Chengdu Consideration (with accrued interest) were to be payable within three years after completion of the Other Chengdu Transaction in any number of instalments at the discretion of Ample State.

In June 2011, Faith Crown entered into an agreement to dispose of a 70% interest in the Chengdu Group to P&R Holdings for a final adjusted consideration of HK$1,024.7 million payable in cash by instalments (the "2011 CD Transaction"). Upon completion of the 2011 CD Transaction, Joyous Unity Investments Limited (a member of the Chengdu Group) was granted an option to purchase the completed hotel and commercial podium of the Chengdu Project (the "Put Option"). On 27th June, 2013, P&R Holdings, Ample State and Faith Crown entered into a novation and variation deed (the "Novation Agreement"), pursuant to which Ample State would assume the outstanding consideration of approximately HK$648.1 million payable by P&R Holdings to Faith Crown (the "Novated Liability") in consideration of the tantamount reduction in the consideration payable by Ample State to P&R Holdings for the Chengdu Transaction (the "Novation"). The completion of the Novation Agreement would take place simultaneously with the completion of the Chengdu Transactions. The Novated Liability (with accrued interest) would be payable within three years after completion of the Chengdu Transaction in any number of instalments at the discretion of Ample State. Upon completion of the Chengdu Transactions, the Put Option would be terminated and ceased to have effect.

The transactions contemplated under the Chengdu Agreement (including the Novation) were approved by the shareholders of each of CCIHL and the Company by way of written approval. The transactions contemplated under the Chengdu Agreement (including the Novation) and the other Chengdu Agreement were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13th September, 2013. Following the Chengdu Agreement and the Other Chengdu Agreement becoming unconditional, completion of the Chengdu Transactions (including the Novation) took place on 13th September, 2013.

The vendors under the Chengdu Transactions have had the benefit of pro rata pledges over the equities in the Chengdu Project and protective restrictive covenants before the considerations are fully settled. After taking into account the completion adjustment, the aggregate consideration for the Chengdu Transaction (after offsetting the Novated Liability) and the Other Chengdu Transaction were HK$618.3 million and HK$542.7 million respectively.

The Chengdu Transaction constituted a major transaction for the Company subject to reporting, announcement and shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), while the Other Chengdu Transaction did not constitute notifiable transactions for each of the Company and RHIHL under the Listing Rules. Relevant details of the transactions under the Chengdu Agreement, the Other Chengdu Agreement and the Novation Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Acquisition of interests in properties in Yuen Long, Hong Kong from Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between Cosmopolitan as the vendor and P&R Holdings as the purchaser in relation to the transfer of the entire interest in Kola Glory Limited ("Kola Glory"), a then wholly owned subsidiary of Cosmopolitan, and the shareholder's loans owing by Lead Fortune Development Limited ("Lead Fortune"), a wholly owned subsidiary of Kola Glory, (the "Rainbow Lodge Agreement") (the "Rainbow Lodge Transaction"). Kola Glory holds, through Lead Fortune, the properties comprise 10 duplex residential units and 14 car parking spaces in Rainbow Lodge located at 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong (the "Rainbow Lodge Properties").

The initial consideration for the Rainbow Lodge Transaction (the "Rainbow Lodge Consideration") was HK$88.0 million (subject to adjustments). The Rainbow Lodge Consideration was determined primarily based on the valuation of the Rainbow Lodge Properties of HK$88.0 million as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by P&R Holdings and Cosmopolitan. The Rainbow Lodge Consideration was settled by P&R Holdings to Cosmopolitan upon completion of the Rainbow Lodge Agreement.

The transactions contemplated under the Rainbow Lodge Agreement were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13th September, 2013. Following the Rainbow Lodge Agreement becoming unconditional, completion of the Rainbow Lodge Transaction took place on 13th September, 2013. After taking into account the completion adjustment, the aggregate consideration for the Rainbow Lodge Transaction was HK$88.0 million.

The Rainbow Lodge Transaction did not constitute a notifiable transaction for the Company under the Listing Rules. Relevant details of the transactions under the Rainbow Lodge Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Disposal of interests in a parcel of land in Tianjin City, the PRC to Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between Regal International (BVI) Holdings Limited ("Regal BVI"), a wholly owned subsidiary of RHIHL, as the vendor and Fortune City International Investments Limited ("Fortune City"), a wholly owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of all the effective interests in a parcel of land located in Tianjin City, the PRC (the "Tianjin Land") to Fortune City, by way of the transfer of all the interests in Grand Praise Investments Limited ("Grand Praise"), a then wholly owned subsidiary of Regal BVI, and the shareholder's loans owing by Sure Reward Investments Limited, a wholly owned subsidiary of Grand Praise, to Fortune City (the "Tianjin Agreement") (the "Tianjin Transaction").

The initial consideration for the Tianjin Transaction (the "Tianjin Consideration") was HK$1,417.5 million (subject to adjustments). The Tianjin Consideration was determined primarily based on the valuation of the Tianjin Land of RMB1,250.0 million (equivalent to approximately HK$1,575.0 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by Regal BVI and Fortune City and a 10% discount to the valuation. The Tianjin Consideration was to be payable within three years after completion of the Tianjin Transaction in any number of instalments at the discretion of Fortune City.

The transactions contemplated under the Tianjin Agreement were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13th September, 2013. Following the Tianjin Agreement becoming unconditional, completion of the Tianjin Transaction took place on 13th September, 2013. Before the consideration and the interest accrued are fully settled, Fortune City has pledged its entire equity interests in the companies holding the Tianjin Land in favour of Regal BVI and has undertaken to comply with certain restrictive covenants to protect the interests of Regal BVI. After taking into account the completion adjustment, the aggregate consideration for the Tianjin Transaction was HK$1,460.7 million.

The Tianjin Transaction did not constitute a notifiable transaction for each of the Company and RHIHL under the Listing Rules. Relevant details of the transactions under the Tianjin Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Disposal of interests in two hotels in Sheung Wan and North Point, Hong Kong to Regal REIT

On 28th June, 2013, a conditional sale and purchase agreement was entered into between, among others, P&R Holdings as the vendor and DB Trustees (Hong Kong) Limited (the "Trustee"), acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the purchaser relating to the disposal by P&R Holdings to Regal REIT of all the shareholding interest in Plentiful Investments Limited ("Plentiful"), a wholly owned subsidiary of P&R Holdings, and all the shareholder's loans owed by the wholly owned subsidiary of Plentiful, Tristan Limited ("Tristan", together with Plentiful, the "Plentiful Group"), to P&R Holdings (the "SW Shareholder Loans") (the "SW Hotel Agreement") (the "SW Hotel Transaction"). Tristan directly owns the hotel development project located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (the "Sheung Wan Hotel"). The SW Hotel Transaction was to be completed upon the fulfilment (or waiver) of the conditions precedent as set out in the SW Hotel Agreement (the "SW Hotel Completion").

The consideration for the SW Hotel Transaction was HK$1,580.0 million, plus a customary adjustment on a dollar-for-dollar basis for the current assets of the Plentiful Group as at the date of completion of the SW Hotel Transaction. The consideration for the SW Hotel Transaction was determined based on the valuation of the Sheung Wan Hotel of HK$1,580.0 million on an as-completed basis as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT, and taking into account completion of the interior fit-out programme of the Sheung Wan Hotel, the SW Shareholder Loans to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group would not have any liabilities other than the SW Shareholder Loans at the SW Hotel Completion.

The Sheung Wan Hotel will have 248 guestrooms and suites and is to be branded as a "iclub by Regal (富薈酒店)" hotel, and would be leased to and operated and managed by the RHIHL Group upon the SW Hotel Completion.

On 28th June, 2013, an option agreement was entered into between, among others, P&R Holdings as the grantor and the Trustee, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the grantee relating to the grant of a call option by P&R Holdings to Regal REIT (the "Option") entitling Regal REIT in its sole discretion to acquire all the shareholding interest in Fortune Mine Limited ("Fortune Mine"), a wholly owned subsidiary of P&R Holdings, and all the shareholder's loans owed by the wholly owned subsidiary of Fortune Mine, Wise Decade Investments Limited ("Wise Decade", together with Fortune Mine, the "Fortune Mine Group"), to P&R Holdings (the "NP Shareholder Loans") (the "Option Agreement") (the "NP Hotel Transaction"). Wise Decade directly owns the hotel development project located at Nos. 14-20 Merlin Street, North Point, Hong Kong (the "North Point Hotel"). The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date. The occupation permit for the North Point Hotel is estimated to be granted in the second quarter of 2014.

The initial exercise price for the Option is HK$1,650.0 million, subject to the adjustments as provided in the Option Agreement, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK$1,650.0 million as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT and completion of the interior fit-out programme of the North Point Hotel and taking into account that the NP Shareholder Loans are to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Mine Group shall not have any liabilities other than the NP Shareholder Loans at completion of the NP Hotel Transaction.

The North Point Hotel will have 338 guestrooms and is to be branded as a "iclub by Regal (富薈酒店)" hotel, and will be leased to and operated and managed by the RHIHL Group upon completion of the NP Hotel Transaction.

The SW Hotel Transaction, the Option and the exercise of the Option in aggregate constituted a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The SW Hotel Transaction and the Option in aggregate constituted a major transaction and a connected transaction for RHIHL subject to the independent shareholders' approval of RHIHL under the Listing Rules. Relevant details of the transactions under the SW Hotel Agreement and the Option Agreement were disclosed in the joint announcement of the Company dated 28th June, 2013 and the circular of the Company dated 29th June, 2013.

On 18th July, 2013, the transactions contemplated under the SW Hotel Agreement and the Option Agreement were approved by the independent shareholders of RHIHL and the independent unitholders of Regal REIT at the respective general meetings of RHIHL and Regal REIT.

On 6th January, 2014, the occupation permit required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for the Sheung Wan Hotel has been obtained. Following the SW Hotel Agreement becoming unconditional, completion of the SW Hotel Transaction took place on 10th February, 2014. After taking into account the completion adjustment, the aggregate consideration for the SW Hotel Transaction was HK$1,581.1 million.

Disposal of the subsidiaries holding securities of Cosmopolitan to P&R Holdings

On 20th August, 2013, a conditional sale and purchase agreement was entered into between Paliburg Development BVI Holdings Limited ("PDBVI") (a wholly owned subsidiary of the Company), Regal BVI and Regal Hotels (Holdings) Limited ("RHH") (both wholly owned subsidiaries of RHIHL), each as a vendor, and P&R Holdings, as the purchaser, relating to the disposals of the entire issued share capital of, and (if any) the shareholder's loans to, among others, Winart Investments Limited, Lendas Investments Limited ("Lendas"), Great Select Holdings Limited, Jumbo Pearl Investments Limited and Sun Joyous Investments Limited (all then wholly owned subsidiaries of PDBVI) (the "Paliburg Target Companies"), and Fountain Sky Limited (a then wholly owned subsidiary of RHH) and Time Crest Investments Limited, Valuegood International Limited and Well Mount Investments Limited (all then wholly owned subsidiaries of Regal BVI) (the "Regal Target Companies") to P&R Holdings (the "Cosmopolitan Agreement") (the "Cosmopolitan Transactions"). The Paliburg Target Companies and Regal Target Companies then held, in total, 2,350,666,666 issued ordinary shares of Cosmopolitan and convertible bonds in an aggregate principal amount of HK$541,450,000, which were convertible into a total of 10,202,916,664 new ordinary shares of Cosmopolitan, issued by the Cosmopolitan group (the "Cosmopolitan CBs").

The aggregate consideration for disposal of Paliburg Target Companies is approximately HK$374.5 million while the aggregate consideration for disposal of Regal Target Companies is approximately HK$504.3 million, both of which were based on an agreed value of HK$0.07 per each issued or underlying share of Cosmopolitan. The aggregate considerations for disposal of Paliburg Target Companies and Regal Target Companies were determined after arm's length negotiation between the parties taking into account the net book value and market price of issued ordinary shares of Cosmopolitan and the business prospects of Cosmopolitan. The considerations were paid in cash upon completion of the Cosmopolitan Transactions.

The transactions contemplated under the Cosmopolitan Agreement were approved by the independent shareholders of RHIHL at its special general meeting held on 7th September, 2013. Following the Cosmopolitan Agreement becoming unconditional, completion of the Cosmopolitan Transactions took place on 9th September, 2013.

The Cosmopolitan Transactions did not constitute notifiable transactions for the Company under the Listing Rules, but constituted a discloseable transaction and a connected transaction for RHIHL subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Relevant details of the Cosmopolitan Transactions under the Cosmopolitan Agreement were disclosed in the joint announcement of the Company dated 20th August, 2013.

Cosmopolitan becoming a listed subsidiary of the Group

On 14th September, 2013, Lendas, a wholly owned subsidiary of P&R Holdings, as the purchaser acquired from Giant Sino Group Limited ("Giant Sino"), an independent third party, as the vendor 2,291,076,090 ordinary shares of Cosmopolitan (the "Sale Share(s)") (the "Share Acquisition"), which represented approximately 19.44% of the entire issued share capital of Cosmopolitan as at that date.

The consideration for the Share Acquisition was HK$160,375,326.30 (equivalent to HK$0.07 per Sale Share) in cash which was agreed between Lendas and Giant Sino after arm's length negotiation taking into account the market price of the ordinary shares of Cosmopolitan and the business prospects of Cosmopolitan.

On 16th September, 2013, certain wholly owned subsidiaries of P&R Holdings, all of which being holders of the Cosmopolitan CBs in an aggregate principal amount of HK$541,450,000, served notices of conversion in respect of all of their respective Cosmopolitan CBs on the relevant issuers of the Cosmopolitan CBs. Accordingly, 10,202,916,664 ordinary shares of Cosmopolitan (the "Conversion Shares") were allotted and issued to the relevant holders of the Cosmopolitan CBs (the "Conversion").

Upon the completion of the Share Acquisition and the allotment and issue of the Conversion Shares, the shareholding held by the Group in Cosmopolitan increased to over 50% and, consequently, Cosmopolitan and its subsidiaries all became listed subsidiaries of the Group with effect from 16th September, 2013.

Following the Share Acquisition and the allotment and issue of the Conversion Shares, P&R Holdings was required, and procured P&R Strategic Limited ("P&R Strategic") (being a wholly owned subsidiary of P&R Holdings), to make an unconditional mandatory general cash offer under Rule 26.1 of the Code on Takeovers and Mergers to acquire all the issued ordinary shares of Cosmopolitan of par value HK$0.0002 each and any shares of Cosmopolitan duly issued while the Offer remained open for acceptance, other than those already owned or agreed to be acquired by the P&R Concert Group (consisting P&R Holdings and parties acting in concert with it, including CCIHL, the Company, P&R Strategic, RHIHL, RH International Finance Limited (a wholly owned subsidiary of RHIHL)), (the "Offer Share(s)") at an offer price of HK$0.07 in cash for each Offer Share (the "Offer").

Pursuant to the Listing Rules, the Share Acquisition, together with the Conversion and the Offer, constituted a major transaction for each of CCIHL and the Company and required the approval of the respective shareholders of CCIHL and the Company, which were obtained from a closely allied group of shareholders of CCIHL and a closely allied group of shareholders of the Company by way of written approval, and were also subject to the reporting and announcement requirements under the Listing Rules. Relevant details of the Share Acquisition, the Conversion and the Offer were disclosed in the joint announcement of the Company dated 30th September, 2013. Details of the acquisition of Cosmopolitan and its subsidiaries as subsidiaries of the Company are disclosed in note 38(a) to the financial statements.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 2,280 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company and RHIHL maintain the share option schemes named as "The Paliburg Holdings Limited Share Option Scheme" and "The Regal Hotels International Holdings Limited Share Option Scheme", respectively, under which share options had been granted to selected eligible persons.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, construction and building related businesses, hotel ownership business through Regal Real Estate Investment Trust ("Regal REIT"), the listed subsidiary of Regal Hotels International Holdings Limited ("RHIHL") (a listed subsidiary of the Company), hotel operation and management businesses through RHIHL, asset management of Regal REIT and other investments including financial assets investments, and aircraft ownership and leasing business. There have been no significant changes in the above activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 52 to 169.

DIVIDENDS

An interim dividend of HK2.2 cents (2012 – HK2.0 cents) per ordinary share, absorbing a total amount of approximately HK$24.5 million (2012 – HK$22.4 million), were paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK9.3 cents (2012 – HK8.8 cents) per ordinary share for the year ended 31st December, 2013, absorbing an amount of approximately HK$103.7 million (2012 – HK$98.1 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th June, 2014. This recommendation has been incorporated in the financial statements.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be convened to be held on Tuesday, 3rd June, 2014. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with the 2013 Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed during the following periods, and no transfers of shares will be effected during such periods:

(i) from Thursday, 29th May, 2014 to Tuesday, 3rd June, 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2014 Annual General Meeting. In order to be entitled to attend and vote at the 2014 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited (the "Branch Registrar"), no later than 4:30 p.m. on Wednesday, 28th May, 2014; and

(ii) from Monday, 9th June, 2014 to Wednesday, 11th June, 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Friday, 6th June, 2014.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 23rd June, 2014.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Mr. Donald Fan Tung
Mr. Bowen Joseph Leung Po Wing, GBS, JP
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, GBS, JP
Mr. Wong Chi Keung
Mr. Kenneth Wong Po Man

During the year, there have been no changes in the Directors of the Company.

In accordance with Bye-law 99 of the Bye-laws of the Company, Mr. Lo Yuk Sui, the Chairman and Chief Executive Officer, Mr. Kenneth Ng Kwai Kai, an Executive Director, and Hon Abraham Shek Lai Him and Mr. Wong Chi Keung, both Independent Non-Executive Directors, will retire from office by rotation at the 2014 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2014 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"), the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" and the share option scheme of Regal Hotels International Holdings Limited ("RHIHL"), a listed subsidiary of the Company, named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme") (collectively, the "Schemes").

There were no options granted or exercised under any of the Schemes during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

				Number of shares held			
	The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2013)
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,354,803 (Note b)	15,000	830,447,817 (74.48%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	100,587,396	1,769,164,691 (Note a)	380,683	1,870,132,770 (58.25%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

	The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2013)
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	557,023,261 (Note c)	260,700	557,308,161 (58.24%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (issued)	–	14,845,167,190 (Note e)	–	14,845,167,190 (67.51%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	7,500,000	–	–	7,500,000 (0.03%)
		Miss Lo Po Man	Ordinary (issued)	4,600,000	–	–	4,600,000 (0.02%)
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note f)	–	2,443,033,102 (75.00%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note g)	–	1,000 (100%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

(b) The interests in 693,618,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.24% shareholding interests.

The interests in 16,271,685 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.24% shareholding interests, and the interests in the other 556,601,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.21% shareholding interests.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 14,845,167,190 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R Holdings"), which is owned as to 50% each by the Company and RHIHL. The Company, in which CCIHL held approximately 62.21% shareholding interests, held approximately 58.16% shareholding interests in RHIHL. Mr. Lo held approximately 58.24% shareholding interests in CCIHL.

(f) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan were held as to approximately 67.51% shareholding interests by P&R Holdings, which is owned as to 50% each by the Company and RHIHL. The Company, in which CCIHL held approximately 62.21% shareholding interests, held approximately 58.16% shareholding interests in RHIHL. Mr. Lo held approximately 58.24% shareholding interests in CCIHL.

(g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.24% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2013, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

During the year, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the Paliburg Share Option Scheme, and there were no options held by such persons under the Paliburg Share Option Scheme:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Paliburg Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2013, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 31st December, 2013
CCIHL (Note i)	693,618,547	–	693,618,547	62.21%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	693,618,547	–	693,618,547	62.21%
Almighty International Limited ("Almighty") (Note ii)	346,488,526	–	346,488,526	31.07%
Cleverview Investments Limited ("Cleverview") (Note ii)	180,811,470	–	180,811,470	16.22%

Notes:

(i) Mr. Lo Yuk Sui directly and indirectly held 58.24% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2013, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2013 is set out below:

Name of Director	**Details of changes**
Executive Directors:	
Mr. Lo Yuk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$619,200 commencing from January 2014. (Notes) • Appointed as an executive director and acts as the chairman and the chief executive officer of Cosmopolitan, a listed subsidiary of the Company, since 16th September, 2013, all with effect from 18th December, 2013. He is also appointed as a member of the remuneration committee and the chairman of the nomination committee of Cosmopolitan both with effect from 18th December, 2013. He is entitled to normal director fee of HK$100,000 per annum in acting as an executive director and normal fee of HK$30,000 per annum each in acting as the chairman of the nomination committee of Cosmopolitan and a member of the remuneration committee of Cosmopolitan.
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$162,000 commencing from January 2014. (Note (i)) • Acts as a vice chairman of CCIHL, the ultimate listed holding company of the Company, with effect from 18th December, 2013. • Appointed as an executive director and acts as a vice chairman and the managing director of Cosmopolitan all with effect from 18th December, 2013. He is entitled to normal director fee of HK$100,000 per annum in acting as an executive director of Cosmopolitan.
Mr. Donald Fan Tung	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$169,100 commencing from January 2014. (Note (i))
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$171,000 commencing from January 2014. (Note (i)) • Acts as a vice chairman of CCIHL with effect from 18th December, 2013. • Acts as a vice chairman and the managing director of RHIHL, a listed subsidiary of the Company, both with effect from 18th December, 2013. • Appointed as an executive director and acts as a vice chairman of Cosmopolitan both with effect from 18th December, 2013. She is entitled to normal director fee of HK$100,000 per annum in acting as an executive director of Cosmopolitan. • Acts as the vice chairman of Regal Portfolio Management Limited, the manager of Regal REIT (a subsidiary of RHIHL listed on the Stock Exchange) and a wholly owned subsidiary of RHIHL, with effect from 18th December, 2013.

Name of Director	Details of changes
Executive Directors:	
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$200,500 commencing from January 2014. (Note (i))
	• Re-designated as an executive director of Cosmopolitan with effect from 18th December, 2013. He is entitled to normal director fee of HK$100,000 per annum in acting as an executive director of Cosmopolitan.
Mr. Kenneth Wong Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$150,000 commencing from January 2014. (Note (i))
	• Re-designated as an executive director and the chief operating officer of Cosmopolitan with effect from 18th December, 2013. He is entitled to normal director fee of HK$100,000 per annum in acting as an executive director of Cosmopolitan.
Independent Non-Executive Directors:	
Hon Abraham Shek Lai Him, GBS, JP	• Appointed as an independent non-executive director and a member of the audit committee and nomination committee of Cosmopolitan with effect from 18th December, 2013. He is entitled to normal director fee of HK$100,000 per annum in acting as a director and normal fees of HK$50,000 and HK$30,000 per annum respectively in acting as a member of the audit committee and the nomination committee of Cosmopolitan.
	• Resigned as an independent non-executive director and a member of the audit committee of Titan Petrochemicals Group Limited (provisional liquidators appointed), a company listed on the Stock Exchange, with effect from 27th February, 2014.
Mr. Wong Chi Keung	• Resigned as an independent non-executive director and the chairman of the audit committee of First Natural Foods Holdings Limited ("FNF"), a company listed on the Stock Exchange, with effect from 21st November, 2013. The winding up petition against FNF was dismissed and the provisional liquidators were discharged pursuant to an order granted by the High Court of Hong Kong on 4th September, 2012, and trading in the shares of FNF on the Stock Exchange was resumed on 6th September, 2012.

Notes:

(i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$100,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2013 are disclosed in note 9 to the financial statements.

(ii) Mr. Lo Yuk Sui and the Independent Non-Executive Directors, who are also the chairman or members of the Nomination Committee and/or the Remuneration Committee of the Company, are entitled to normal fee of HK$30,000 per annum in acting as the chairman or a member of each of such board committees. Details of the remuneration of all Directors for the year ended 31st December, 2013 are disclosed in note 9 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined in respect of goods and services was less than 30% of the total amount involved.

During the year, 40.5% of the Group's total revenue was attributable to the largest customer of the Group in respect of goods and services, and 49.0% of the Group's total revenue was attributable to the five largest customers of the Group combined in respect of goods and services.

The revenue attributable to the largest customer represented the sale of the development land in Tianjin City, the PRC previously held by the Group to the Cosmopolitan group, prior to Cosmopolitan becoming a listed subsidiary of the Group.

Save as disclosed above, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the Group's property, plant and equipment during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

The details of movements in the Group's investment properties during the year are set out in note 16 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the end of the reporting period are set out in notes 32 and 33 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 36 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the Company's share premium account during the year are set out in note 36 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 39 to the financial statements.

A JOINT VENTURE AND ASSOCIATES

Particulars of the Group's investments in its joint venture and associates are set out in notes 18 and 19 to the financial statements, respectively.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$2.7 million.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2013, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$2,222.5 million, of which HK$103.7 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK$1,357.2 million, may be distributed in the form of fully paid bonus shares.

FINANCE COSTS CAPITALISED

Finance costs in the amount of HK$102.2 million were capitalised during the year in respect of the Group's property development projects.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 49 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
31st March, 2014

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2013.

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2013, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.

(2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*
Mr. Donald Fan Tung *(Chief Operating Officer)*
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Kenneth Wong Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph Leung Po Wing, GBS, JP
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, GBS, JP
Mr. Wong Chi Keung

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profile" contained in this Annual Report.

During the year ended 31st December, 2013, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole. The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company. The Board is also responsible for developing, reviewing and/or monitoring the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

In year 2013, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	13/13	1/1
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	13/13	1/1
Mr. Donald Fan Tung *(Chief Operating Officer)*	12/13	1/1
Miss Lo Po Man	13/13	1/1
Mr. Kenneth Ng Kwai Kai	13/13	1/1
Mr. Kenneth Wong Po Man	13/13	1/1
Independent Non-Executive Directors		
Mr. Bowen Joseph Leung Po Wing, GBS, JP	13/13	1/1
Mr. Ng Siu Chan	13/13	1/1
Hon Abraham Shek Lai Him, GBS, JP	13/13	1/1
Mr. Wong Chi Keung	13/13	1/1

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2013, the Company arranged for Directors a seminar in relation to updates to the new Companies Ordinance of Hong Kong (Cap. 622) and the various updates of the Listing Rules. The training received by the Directors during the year 2013 is summarised below:

Name of Directors	Types of training
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	A, B
Mr. Donald Fan Tung *(Chief Operating Officer)*	A, B
Miss Lo Po Man	A, B
Mr. Kenneth Ng Kwai Kai	A, B
Mr. Kenneth Wong Po Man	A, B
Independent Non-Executive Directors	
Mr. Bowen Joseph Leung Po Wing, GBS, JP	A, B
Mr. Ng Siu Chan	B
Hon Abraham Shek Lai Him, GBS, JP	A, B
Mr. Wong Chi Keung	A, B

A - Attending briefings/seminars/conferences/forums
B - Reading/studying training or other materials

(III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, established by the Board for overseeing certain functions delegated by the Board.

(a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. Wong Chi Keung *(Chairman of the Committee)*
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Member)*
Mr. Ng Siu Chan *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In year 2013, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Wong Chi Keung *(Chairman of the Committee)*	2/2
Mr. Bowen Joseph Leung Po Wing, GBS, JP	2/2
Mr. Ng Siu Chan	2/2
Hon Abraham Shek Lai Him, GBS, JP	2/2

(b) Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Member)*

Independent Non-Executive Directors:

Mr. Wong Chi Keung *(Chairman of the Committee)*
Mr. Ng Siu Chan *(Member)*

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2013, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Wong Chi Keung *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Mr. Ng Siu Chan	1/1

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2013 by band is set out below:

Remuneration band	Number of individuals
HK$2,000,001 – 2,500,000	3
HK$2,500,001 – 3,000,000	1
HK$3,000,001 – 3,500,000	1
Within bands from HK$3,500,001 – 13,500,000	0
HK$13,500,001 – 14,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2013 are disclosed in note 9 to the financial statements contained in this Annual Report.

(c) Nomination Committee

The Nomination Committee was established with specific written terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Member)*
Mr. Ng Siu Chan *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*
Mr. Wong Chi Keung *(Member)*

The Company views diversity at the Board level essential for attaining the Group's strategic and business objectives as well as ensuring its sustainable development. A Board Diversity Policy has been adopted to set out policy for designing the composition of the Board with diversity in Board members having balanced skills and expertise. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge, industry experience, skills and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2013, the Nomination Committee met once and had reviewed and considered the proposed election and appointment of Mr. Jimmy Lo Chun To as the Vice Chairman and the Managing Director of the Company and made related recommendation to the Board about such designation of offices. In reviewing and assessing the designation of offices of the Board members and the overall diversity of the composition of the Board, the Nomination Committee had considered the various aspects set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination Committee members	**Attendance**
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Mr. Bowen Leung Po Wing, GBS, JP	1/1
Mr. Ng Siu Chan	1/1
Hon Abraham Shek Lai Him, GBS, JP	1/1
Mr. Wong Chi Keung	1/1

(IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Paliburg Code during the year ended 31st December, 2013.

(VI) INTERNAL CONTROL

The Board has conducted a review of effectiveness of the system of internal controls of the Group during the year, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving a sound internal control system. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the internal control system, to identify any significant control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(VII) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2013 Annual General Meeting until the conclusion of the forthcoming 2014 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2013 were HK$8.3 million (2012 - HK$4.6 million) and HK$4.3 million (2012 - HK$3.3 million), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	**Fees paid (HK$'million)**
(1) Interim review of the financial statements of the Group for the six months ended 30th June, 2013	1.1
(2) Compliance and other services to the Group	3.2

(VIII) SHAREHOLDERS' RIGHT

Special general meetings may be convened upon receipt of written request submitted by any shareholder(s) of the Company holding not less than one-tenth of the share capital of the Company carrying the right of voting at general meetings of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitionist(s) and deposited at the Head Office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary).

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address (for the attention of the Company Secretary).

During the year ended 31st December, 2013, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and New Bye-laws of the Company is available on the website of the Company.

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2013

	Notes	2013 HK$'million	2012 HK$'million
REVENUE	5	**3,604.1**	1,722.4
Cost of sales		**(2,406.3)**	(1,002.0)
Gross profit		**1,197.8**	720.4
Other income and gains	5	**73.0**	28.9
Fair value gains on investment properties, net		**9.0**	60.6
Fair value losses on financial assets at fair value through profit or loss, net		**(69.7)**	(133.8)
Fair value loss on remeasurement of investments in a listed associate and an unlisted joint venture, net		**–**	(4,355.0)
Gain on bargain purchase of a listed subsidiary		**–**	6,473.4
Gain on disposal of subsidiaries		**279.2**	–
Administrative expenses		**(279.7)**	(179.9)
Other operating income	6	**–**	1.1
OPERATING PROFIT BEFORE DEPRECIATION		**1,209.6**	2,615.7
Depreciation		**(458.5)**	(285.6)
OPERATING PROFIT		**751.1**	2,330.1
Finance costs	8	**(260.5)**	(121.6)
Share of profits and losses of:			
Joint ventures		**0.3**	(0.2)
Associates		**41.8**	170.7
PROFIT BEFORE TAX	7	**532.7**	2,379.0
Income tax	11	**(84.9)**	(2.6)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**447.8**	2,376.4
Attributable to:			
Equity holders of the parent	12	**322.9**	2,294.3
Non-controlling interests		**124.9**	82.1
		447.8	2,376.4
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		**HK$0.29**	HK$2.02

Details of the dividends paid and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2013

	2013 HK$'million	2012 HK$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**447.8**	2,376.4
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	0.4
Reclassification adjustment for gain on disposal included in the statement of profit or loss	**–**	(0.4)
	–	–
Cash flow hedges:		
Changes in fair value of cash flow hedges	**(7.4)**	(2.9)
Transfer from hedge reserve to the statement of profit or loss	**6.1**	1.3
	(1.3)	(1.6)
Exchange differences on translating foreign operations	**78.0**	11.6
Reclassification adjustments on deemed disposals of a listed associate and an unlisted joint venture	**–**	(32.6)
Reclassification adjustments on disposals of foreign operations	**(45.3)**	–
Share of other comprehensive income/(loss) of:		
Joint ventures	**–**	(1.1)
Associates	**0.5**	(55.9)
Other comprehensive income/(loss) for the year	**31.9**	(79.6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**479.7**	2,296.8
Attributable to:		
Equity holders of the parent	**342.3**	2,211.8
Non-controlling interests	**137.4**	85.0
	479.7	2,296.8

Consolidated Statement of Financial Position

As at 31st December, 2013

	Notes	2013 HK$'million	2012 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	15	**19,345.0**	20,269.8
Investment properties	16	**1,715.4**	948.3
Properties under development	17	**1,308.6**	370.8
Investment in a joint venture	18	**–**	251.2
Investments in associates	19	**27.6**	26.1
Available-for-sale investments	20	**18.3**	9.5
Financial assets at fair value through profit or loss	21	**–**	164.5
Loans receivable	23	**8.4**	21.7
Deposits and prepayments		**60.9**	2.3
Trademark	24	**610.2**	610.2
Goodwill	25	**261.0**	–
Total non-current assets		**23,355.4**	22,674.4
CURRENT ASSETS			
Properties under development	17	**5,750.4**	831.1
Properties held for sale	26	**1,513.3**	1,510.8
Inventories	27	**56.5**	38.1
Debtors, deposits and prepayments	28, 31	**422.6**	934.8
Loans receivable	23	**6.7**	0.3
Held-to-maturity investments	22	**229.3**	210.8
Financial assets at fair value through profit or loss	21	**764.6**	1,085.4
Derivative financial instruments	34	**22.0**	–
Tax recoverable		**2.2**	–
Restricted cash	29	**51.9**	44.2
Pledged time deposits and bank balances		**433.2**	321.9
Time deposits		**1,143.9**	2,727.2
Cash and bank balances		**1,241.4**	1,366.1
Total current assets		**11,638.0**	9,070.7
CURRENT LIABILITIES			
Creditors and accruals	30, 31	**(511.7)**	(611.2)
Deposits received		**(27.0)**	(47.0)
Interest bearing bank borrowings	32	**(1,624.0)**	(81.5)
Derivative financial instruments	34	**–**	(2.1)
Tax payable		**(108.7)**	(47.4)
Total current liabilities		**(2,271.4)**	(789.2)
NET CURRENT ASSETS		**9,366.6**	8,281.5
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,722.0**	30,955.9

As at 31st December, 2013

	Notes	2013 HK$'million	2012 HK$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,722.0**	30,955.9
NON-CURRENT LIABILITIES			
Creditor and deposits received	30	**(13.9)**	(450.6)
Interest bearing bank borrowings	32	**(5,599.8)**	(5,404.3)
Other borrowings	33	**(4,200.5)**	(2,293.8)
Derivative financial instruments	34	**(4.1)**	(2.8)
Deferred tax liabilities	35	**(2,322.4)**	(2,286.8)
Total non-current liabilities		**(12,140.7)**	(10,438.3)
Net assets		**20,581.3**	20,517.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	36	**111.5**	111.5
Reserves	37(a)	**11,936.7**	10,923.8
Proposed final dividend	13	**103.7**	98.1
		12,151.9	11,133.4
Non-controlling interests		**8,429.4**	9,384.2
Total equity		**20,581.3**	20,517.6

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2013

	Notes	Issued capital HK$'m	Share premium account HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Special reserve HK$'m	Assets revaluation reserve HK$'m	Available-for-sale investment revaluation reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent													
At 1st January, 2012		114.9	1,434.2	0.8	8.5	689.6	663.6	(1.4)	55.9	92.0	5,795.9	91.9	8,945.9	0.9	8,946.8
Profit for the year		–	–	–	–	–	–	–	–	–	2,294.3	–	2,294.3	82.1	2,376.4
Other comprehensive income/(loss) for the year:															
Cash flow hedges		–	–	–	–	–	–	–	(0.6)	–	–	–	(0.6)	(1.0)	(1.6)
Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	7.9	–	–	7.9	3.7	11.6
Reclassification adjustments on deemed disposals of a listed associate and an unlisted joint venture		–	–	–	–	–	–	0.4	–	(33.0)	–	–	(32.6)	–	(32.6)
Share of other comprehensive income/(loss) of:															
Joint ventures		–	–	–	–	–	–	–	–	(1.1)	–	–	(1.1)	–	(1.1)
Associates		–	–	–	–	–	–	0.4	(55.9)	(0.6)	–	–	(56.1)	0.2	(55.9)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	0.8	(56.5)	(26.8)	2,294.3	–	2,211.8	85.0	2,296.8
Repurchase and cancellation of ordinary shares	36(i)	(3.4)	(77.0)	3.4	–	–	–	–	–	–	(3.4)	–	(80.4)	–	(80.4)
Repurchase and cancellation of ordinary shares by a listed subsidiary		–	–	–	168.3	–	–	–	–	–	–	–	168.3	(242.5)	(74.2)
Acquisition of non-controlling interests in a listed subsidiary		–	–	–	1.3	–	–	–	–	–	–	–	1.3	(2.0)	(0.7)
Deemed acquisitions of a listed subsidiary and an unlisted joint venture	38(b)	–	–	–	(8.5)	–	(663.6)	–	–	–	672.1	–	–	9,707.3	9,707.3
Deregistration of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(0.6)	(0.6)
Transfer of unclaimed dividends to retained profits		–	–	–	–	–	–	–	–	–	0.5	–	0.5	–	0.5
Final 2011 dividend declared		–	–	–	–	–	–	–	–	–	0.3	(91.9)	(91.6)	(96.2)	(187.8)
Interim 2012 dividend	13	–	–	–	–	–	–	–	–	–	(22.4)	–	(22.4)	(67.7)	(90.1)
Proposed final 2012 dividend	13	–	–	–	–	–	–	–	–	–	(98.1)	98.1	–	–	–
At 31st December, 2012		111.5	1,357.2	4.2	169.6	689.6	–	(0.6)	(0.6)	65.2	8,639.2	98.1	11,133.4	9,384.2	20,517.6

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2013

	Notes	Issued capital HK$'m	Share premium account HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Special reserve HK$'m	Available-for-sale investment revaluation reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent												
At 1st January, 2013		111.5	1,357.2	4.2	169.6	689.6	(0.6)	(0.6)	65.2	8,639.2	98.1	11,133.4	9,384.2	20,517.6
Profit for the year		–	–	–	–	–	–	–	–	322.9	–	322.9	124.9	447.8
Other comprehensive income/(loss) for the year:														
Cash flow hedges		–	–	–	–	–	–	(1.0)	–	–	–	(1.0)	(0.3)	(1.3)
Exchange differences on translating foreign operations		–	–	–	–	–	–	–	46.0	–	–	46.0	32.0	78.0
Reclassification adjustments on disposals of foreign operations		–	–	–	–	–	–	–	(25.9)	–	–	(25.9)	(19.4)	(45.3)
Share of other comprehensive income/(loss) of associates		–	–	–	–	–	–	–	0.3	–	–	0.3	0.2	0.5
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(1.0)	20.4	322.9	–	342.3	137.4	479.7
Acquisition/Deemed acquisition of non-controlling interests in listed subsidiaries		–	–	–	798.8	–	–	–	–	–	–	798.8	(1,147.2)	(348.4)
Acquisitions of a listed subsidiary and an unlisted joint venture	38(a)	–	–	–	–	–	–	–	–	–	–	–	374.4	374.4
Disposal of subsidiaries	40(c)	–	–	–	–	–	–	–	–	–	–	–	(151.7)	(151.7)
Contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	–	13.6	13.6
Final 2012 dividend declared		–	–	–	–	–	–	–	–	–	(98.1)	(98.1)	(110.7)	(208.8)
Interim 2013 dividend	13	–	–	–	–	–	–	–	–	(24.5)	–	(24.5)	(70.6)	(95.1)
Proposed final 2013 dividend	13	–	–	–	–	–	–	–	–	(103.7)	103.7	–	–	–
At 31st December, 2013		111.5	1,357.2	4.2	968.4	689.6	(0.6)	(1.6)	85.6	8,833.9	103.7	12,151.9	8,429.4	20,581.3

Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	Notes	2013 HK$'million	2012 HK$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**532.7**	2,379.0
Adjustments for:			
Finance costs	8	**260.5**	121.6
Share of profits and losses of joint ventures		**(0.3)**	0.2
Share of profits and losses of associates		**(41.8)**	(170.7)
Interest income		**(49.7)**	(26.1)
Depreciation	7	**458.5**	285.6
Dividend income	5	**(15.4)**	(6.9)
Fair value loss on remeasurement of investments in a listed associate and an unlisted joint venture, net		**–**	4,355.0
Gain on bargain purchase of a listed subsidiary		**–**	(6,473.4)
Gain on deregistration of subsidiaries		**–**	(0.6)
Gain on disposal of subsidiaries	40(c)	**(279.2)**	–
Fair value gain on available-for-sale investments (transfer from equity on disposal)		**–**	(0.4)
Reversal of impairment of loans receivable		**–**	(0.5)
Impairment of trade debtors, net		**–**	0.9
Write-down of inventories to net realisable value		**–**	0.2
Fair value gains on investment properties, net		**(9.0)**	(60.6)
Fair value losses on financial assets at fair value through profit or loss, net		**69.7**	133.8
Write back of other creditors, net		**(2.2)**	(1.7)
		923.8	535.4
Additions to properties under development		**(2,986.6)**	(63.7)
Decrease/(Increase) in properties held for sale		**(2.5)**	286.7
Increase in financial assets at fair value through profit or loss		**(183.4)**	(126.1)
Increase in derivative financial instruments		**(6.3)**	–
Increase in inventories		**(18.4)**	(3.0)
Increase in debtors, deposits and prepayments		**(900.9)**	(533.1)
Increase/(Decrease) in creditors and accruals		**8.4**	(67.9)
Increase/(Decrease) in deposits received		**(13.9)**	11.5
Cash generated from/(used in) operations		**(3,179.8)**	39.8
Hong Kong profits tax paid		**(75.5)**	(26.5)
Overseas taxes paid		**(3.4)**	(0.4)
Net cash flows from/(used in) operating activities		**(3,258.7)**	12.9

	Notes	2013 HK$'million	2012 HK$'million
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition/Deemed acquisition of subsidiaries	38	**425.1**	641.8
Settlement of consideration for acquisition of subsidiaries in the prior year		**–**	(100.0)
Disposal of subsidiaries	40(c)	**(23.9)**	–
Purchases of available-for-sale investments		**(8.8)**	(2.3)
Proceeds from disposal of available-for-sale investments		**–**	23.4
Purchases of financial assets at fair value through profit or loss		**(360.4)**	–
Purchases of held-to-maturity investments		**(542.9)**	(311.8)
Proceeds from redemption of held-to-maturity investments		**579.9**	232.6
Decrease in loans receivable		**10.4**	16.2
Purchases of investment properties		**(661.9)**	–
Additions to investment properties		**(1.2)**	(0.5)
Proceeds from disposal of items of property, plant and equipment		**0.5**	–
Purchases of items of property, plant and equipment		**(529.7)**	(241.9)
Repayment from a joint venture		**1.3**	44.9
Advances to associates		**(16.9)**	(12.9)
Repayment from an associate		**–**	310.8
Interest received		**43.8**	22.1
Dividends received from listed and unlisted investments		**69.4**	126.9
Decrease/(Increase) in pledged time deposits and bank balances		**(109.8)**	102.9
Increase in restricted cash		**(7.1)**	(17.9)
Net cash flows from/(used in) investing activities		**(1,132.2)**	834.3
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase and cancellation of ordinary shares		**–**	(80.4)
Repurchase and cancellation of ordinary shares by a listed subsidiary		**(94.8)**	(74.2)
Increase in other borrowings		**1,930.0**	2,312.1
Drawdown of new bank loans		**6,823.0**	638.6
Repayment of bank loans		**(5,086.9)**	(648.5)
Payment of loan and other costs		**(84.3)**	(31.1)
Interest paid		**(280.7)**	(100.0)
Dividends paid		**(122.6)**	(113.9)
Dividends paid to non-controlling shareholders		**(181.2)**	(163.8)
Contribution from a non-controlling shareholder		**13.6**	–
Acquisition of non-controlling interests in listed subsidiaries		**(253.6)**	(0.7)
Decrease/(Increase) in restricted cash		**(0.6)**	25.8
Net cash flows from financing activities		**2,661.9**	1,763.9

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31st December, 2013

	Notes	2013 HK$'million	2012 HK$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,729.0)**	2,611.1
Cash and cash equivalents at beginning of year		**4,093.3**	1,478.2
Effect of foreign exchange rate changes, net		**21.0**	4.0
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,385.3**	4,093.3
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,241.4**	1,366.1
Non-pledged time deposits with original maturity of less than three months when acquired		**1,143.9**	2,727.2
		2,385.3	4,093.3

Statement of Financial Position

As at 31st December, 2013

	Notes	2013 HK$'million	2012 HK$'million
NON-CURRENT ASSETS			
Investments in subsidiaries	39	**3,697.4**	3,324.4
CURRENT ASSETS			
Deposits and prepayments		**0.6**	0.5
CURRENT LIABILITIES			
Creditors and accruals		**(2.6)**	(2.4)
NET CURRENT LIABILITIES		**(2.0)**	(1.9)
Net assets		**3,695.4**	3,322.5
EQUITY			
Issued capital	36	**111.5**	111.5
Reserves	37(b)	**3,480.2**	3,112.9
Proposed final dividend	13	**103.7**	98.1
Total equity		**3,695.4**	3,322.5

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Notes to Financial Statements

31st December, 2013

1. CORPORATE INFORMATION

Paliburg Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management and other investments including financial assets investments, and aircraft ownership and leasing business.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1st January, 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The application of HKFRS 11 had no impact on the Group's results of operations or financial position.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, a joint venture and associates are included in notes 39, 18 and 19 to the financial statements.

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

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 16 and 47 to the financial statements.

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

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1st January, 2014
2 Effective for annual periods beginning on or after 1st July, 2014
3 Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016 and not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

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

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

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

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

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

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

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

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

(b) Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Upon the disposal of investments in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the statement of profit or loss.

(c) Investments in associates and a joint venture

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

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

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

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

(d) Fair value measurement

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

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

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

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

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

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

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

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

(e) Impairment of non-financial assets

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

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

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

(f) Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Trademark
The useful life of trademark is assessed to be indefinite. Trademark with indefinite useful life is tested for impairment annually either individually or at the cash-generating unit level and is not amortised. The useful life of trademark with an indefinite life is reviewed annually to determine whether the 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.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get 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. Interest is capitalised at the interest rates related to specific development project borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 4.008% to 4.374% has been applied to the expenditure on the individual assets.

(i) Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading 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 sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as a separate item in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from available-for-sale investment revaluation reserve to the statement of profit or loss. Dividends earned whilst holding the available-for-sale financial investments are reported as dividend income and are recognised in the statement of profit or loss as other income in accordance with the policy set out for "Revenue recognition" below.

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

(j) Impairment of financial assets

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

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

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

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

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

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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

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

(k) Derecognition of financial assets

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

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

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

(l) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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

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

(m) Derecognition of financial liabilities

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

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

(n) Offsetting of financial instruments

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

(o) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as foreign currency option contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

(p) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

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

(q) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(r) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and properties under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel land	Over the lease terms
Hotel buildings	Over the shorter of 40 years or the remaining lease terms
Leasehold properties	Over the shorter of 40 years or the remaining lease terms
Leasehold improvements	Over the shorter of the remaining lease terms or 10% to 20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%
Aircraft	Over the lease terms ranging from 60 to 72 months

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

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

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

Properties under construction are stated at cost less any impairment losses, and are not depreciated. Cost comprises land costs, direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Properties under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

(t) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has completed not less than 50% based on the percentage of completion method.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(u) Revenue recognition

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

(i) hotel and other agency and management services income, in the period in which such services are rendered;

(ii) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(iii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;

(iv) fee income on short term construction contracts, on completion of the construction work;

(v) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(t) above;

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

(vii) dividend income, when the shareholders' right to receive payment has been established;

(viii) gain/loss from sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged;

(ix) consultancy and management fees, in the period in which such services are rendered; and

(x) sale of food products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food products sold.

(v) Foreign currencies

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(w) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

(x) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(y) Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7th November, 2002 is measured by reference to the fair value at the date at which they are granted.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per ordinary share.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of 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, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(z) Related parties

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

(i) the party is a person or a close member of that person's family and that person

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

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

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

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

(7) a person identified in (i)(1) 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).

(aa) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(ab) Dividends

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

(ac) Provisions

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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

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

Classification between investment properties and properties held for sale
The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in non-current and current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

Derivative financial instruments and hedging activities
Derivative financial instruments and hedging activities require the Group to make judgements on the designation of the hedging relationship of the Group's derivatives and their hedge effectiveness. These judgements determine if the changes in fair values of the derivative instruments are recognised directly in other comprehensive income in the hedge reserve or any ineffective element is recognised in the statement of profit or loss.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group uses a discounted cash flow analysis for its derivative financial instruments that are not traded in active markets.

(b) Estimation uncertainty

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

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2013 was HK$261.0 million (2012 - Nil). Further details are given in note 25 to the financial statements.

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

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

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

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2013 was HK$1,715.4 million (2012 - HK$948.3 million). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised. Recognition of deferred tax assets primarily involves judgements and estimations regarding the future performance of the Group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The amount of unrecognised deferred tax assets at 31st December, 2013 was HK$773.2 million (2012 - HK$732.7 million). Further details are contained in note 35 to the financial statements.

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. During the year, the outcome of a number of construction contracts was revised, thus leading to a gross construction profit of HK$0.6 million (2012 - HK$1.4 million) being recognised in the statement of profit or loss.

Allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sales of completed properties. Before the final settlement of the development costs and other costs relating to the sale of the completed properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31st December, 2013 and 2012, no impairment loss has been recognised for available-for-sale assets. The carrying amount of available-for-sale financial assets was HK$18.3 million (2012 - HK$9.5 million).

Impairment of trademark

In accordance with HKAS 36 *Impairment of Assets*, the Group determines whether trademark is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the trademark is related. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of useful life of trademark

The Group assesses the useful life of the trademark to be indefinite. This determination requires the Group to make assumptions and estimates of the expected future cash flows of the hotel group to which the trademark relates and the ability to renew the legal right of the trademark at insignificant cost indefinitely. The Group assesses the useful life of the trademark annually to determine whether events or circumstances continue to support the indefinite useful life of the trademark. The carrying amount of trademark at 31st December, 2013 was HK$610.2 million (2012 - HK$610.2 million).

Impairment of property, plant and equipment – aircraft

Impairment is recognised when events and circumstances indicate that aircraft may be impaired and the carrying amount of aircraft exceed the recoverable amount. Recoverable amount is defined as the higher of an aircraft's fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the assets. When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the management covering a specified period.

Depreciation of property, plant and equipment – aircraft

Aircraft are depreciated on the straight-line basis at rates which are calculated to write-down the costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational life and residual values are reviewed at least on an annual basis. The carrying amount of the Group's aircraft was HK$174.6 million (2012 - HK$81.8 million).

4. OPERATING SEGMENT INFORMATION

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

(a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

(c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal Real Estate Investment Trust ("Regal REIT");

(d) the asset management segment engages in the provision of asset management services to Regal REIT;

(e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments; and

(f) the others segment mainly comprises aircraft ownership and leasing business, the provision of financing services, travel agency services, development and distribution of edutainment products and sale of food products.

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

Segment assets exclude time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, other borrowings, derivative financial instruments, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2013 and 2012:

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	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Others		Eliminations		Consolidated	
	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m	2013 HK$'m	2012 HK$'m
Segment revenue:																
Sales to external customers	1,470.1	304.8	18.2	59.5	2,003.4	1,331.5	–	–	71.0	12.1	41.4	14.5	–	–	3,604.1	1,722.4
Intersegment sales	4.9	3.1	187.6	28.4	–	–	95.3	62.8	–	–	–	–	(287.8)	(94.3)	–	–
Total	**1,475.0**	**307.9**	**205.8**	**87.9**	**2,003.4**	**1,331.5**	**95.3**	**62.8**	**71.0**	**12.1**	**41.4**	**14.5**	**(287.8)**	**(94.3)**	**3,604.1**	**1,722.4**
Segment results before depreciation	398.7	36.7	(5.1)	4.9	908.0	644.1	(14.3)	(8.5)	0.3	(117.1)	6.9	0.1	–	–	1,294.5	560.2
Depreciation	(1.4)	(0.8)	(0.5)	(0.5)	(449.5)	(283.7)	–	–	–	–	(6.8)	(0.5)	–	–	(458.2)	(285.5)
Segment results	397.3	35.9	(5.6)	4.4	458.5	360.4	(14.3)	(8.5)	0.3	(117.1)	0.1	(0.4)	–	–	836.3	274.7
Unallocated interest income and unallocated non-operating and corporate gains															32.6	6,492.7
Unallocated non-operating and corporate expenses															(117.8)	(4,437.3)
Operating profit															**751.1**	**2,330.1**
Finance costs															**(260.5)**	**(121.6)**
Share of profits and losses of:																
Joint ventures	0.3	(0.2)	–	–	–	–	–	–	–	–	–	–	–	–	**0.3**	**(0.2)**
Associates	47.4	39.2	–	–	(1.0)	133.9*	–	–	–	–	(4.6)	(2.4)	–	–	**41.8**	**170.7**
Profit before tax															**532.7**	**2,379.0**
Income tax															**(84.9)**	**(2.6)**
Profit for the year before allocation between equity holders of the parent and non-controlling interests															**447.8**	**2,376.4**
Attributable to:																
Equity holders of the parent															**322.9**	**2,294.3**
Non-controlling interests															**124.9**	**82.1**
															447.8	**2,376.4**

* The amount mainly represents contribution from Regal Hotels International Holdings Limited ("RHIHL"), the former associate of the Company, and its subsidiaries (including Regal REIT and its subsidiaries) (the "RHIHL Group") which were previously accounted for as associates and became subsidiaries of the Company since 7th May, 2012.

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	Property development and investment 2013 HK$'m	Property development and investment 2012 HK$'m	Construction and building related businesses 2013 HK$'m	Construction and building related businesses 2012 HK$'m	Hotel operation and management and hotel ownership 2013 HK$'m	Hotel operation and management and hotel ownership 2012 HK$'m	Asset management 2013 HK$'m	Asset management 2012 HK$'m	Financial assets investments 2013 HK$'m	Financial assets investments 2012 HK$'m	Others 2013 HK$'m	Others 2012 HK$'m	Eliminations 2013 HK$'m	Eliminations 2012 HK$'m	Consolidated 2013 HK$'m	Consolidated 2012 HK$'m
Segment assets	12,187.7	6,658.8	40.2	35.8	18,408.7	18,684.2	42.7	44.1	1,095.3	1,529.4	357.1	96.5	(43.6)	(44.3)	32,088.1	27,004.5
Investment in a joint venture	–	251.2	–	–	–	–	–	–	–	–	–	–	–	–	–	251.2
Investments in associates	5.8	16.1	–	–	6.1	6.6	–	–	–	–	15.7	3.4	–	–	27.6	26.1
Cash and unallocated assets															2,877.7	4,463.3
Total assets															34,993.4	31,745.1
Segment liabilities	(63.5)	(718.0)	(75.9)	(33.3)	(359.4)	(335.8)	(1.7)	(1.5)	(10.7)	(2.2)	(22.6)	(16.5)	43.6	44.3	(490.2)	(1,063.0)
Interest bearing bank borrowings and unallocated liabilities															(13,921.9)	(10,164.5)
Total liabilities															(14,412.1)	(11,227.5)
Other segment information:																
Capital expenditure	2,626.5	3,609.6	3.0	0.6	157.2	18,725.6	0.1	–	–	–	102.7	83.7				
Gain on disposal of subsidiaries	(279.2)	–	–	–	–	–	–	–	–	–	–	–				
Reversal of impairment of loans receivable	–	–	–	–	–	–	–	–	–	–	–	(0.5)				
Impairment of trade debtors, net	–	–	–	–	–	0.9	–	–	–	–	–	–				
Fair value losses on financial assets at fair value through profit or loss, net	–	–	–	–	–	–	–	–	69.7	131.7	–	–				
Fair value losses/(gains) on investment properties	9.0	(43.6)	–	–	(18.0)	(17.0)	–	–	–	–	–	–				
Interest income	(0.8)	(0.4)	–	–	(3.4)	(1.9)	–	–	(12.6)	(5.1)	(3.6)	(0.2)				

Geographical information

(a) Revenue from external customers

	2013 HK$'million	2012 HK$'million
Hong Kong	**2,084.3**	1,696.5
Mainland China	**1,506.6**	25.9
Other	**13.2**	–
	3,604.1	1,722.4

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

	2013 HK$'million	2012 HK$'million
Hong Kong	**21,510.3**	20,730.9
Mainland China	**1,641.0**	1,663.7
Other	**174.6**	81.8
	23,325.9	22,476.4

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

Revenue of approximately HK$1,460.7 million (2012 - HK$286.5 million) was derived from sales to a major customer in the property development and investment segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Revenue		
Rental income:		
Hotel properties	**38.5**	20.1
Investment properties	**14.0**	9.3
Properties held for sale	**0.1**	0.5
Aircraft	**13.2**	–
Construction and construction-related income	**13.8**	42.8
Proceeds from sale of properties	**1,461.0**	298.4
Estate management fees	**4.3**	4.5
Property development consultancy and project management fees	**0.1**	12.2
Net gain from sale of financial assets at fair value through profit or loss	**8.0**	5.2
Net gain on settlement of derivative financial instruments	**39.7**	–
Interest income from financial assets at fair value through profit or loss	**7.9**	–
Dividend income from listed investments	**15.4**	6.9
Hotel operations and management services	**1,959.8**	1,307.7
Other operations	**28.3**	14.8
	3,604.1	1,722.4
Other income and gains		
Interest income from:		
Bank balances	**29.3**	18.1
Others	**12.5**	8.0
Fair value gain on available-for-sale investments (transfer from equity on disposal)	**–**	0.4
Forfeiture of deposits	**27.1**	–
Others	**4.1**	2.4
	73.0	28.9

6. OTHER OPERATING INCOME

Other operating income includes the following major item:

	GROUP	
	2013 HK$'million	2012 HK$'million
Reversal of impairment of loans receivable	–	0.5

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	GROUP	
	2013 HK$'million	2012 HK$'million
Cost of inventories sold and services provided	724.7	455.6
Depreciation	458.5	285.6
Employee benefit expenses* (inclusive of Directors' remuneration disclosed in note 9):		
Salaries, wages and benefits	608.3	394.3
Staff retirement scheme contributions	29.6	17.7
Less: Forfeited contributions	(1.2)	(1.1)
	636.7	410.9
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(23.1)	(16.4)
Staff retirement scheme contributions	(1.4)	(0.9)
Less: Forfeited contributions	–	0.1
	612.2	393.7

* Inclusive of an amount of HK$488.7 million (2012 - HK$311.3 million) classified under the cost of inventories sold and services provided.

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Auditors' remuneration	**8.5**	4.6
Write-down of inventories to net realisable value#	**–**	0.2
Impairment of trade debtors, net	**–**	0.9
Minimum lease payments under operating leases:		
Land and buildings	**22.4**	13.8
Plant and machinery	**0.3**	0.2
	22.7	14.0
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	**(0.6)**	(0.5)
	22.1	13.5
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– held for trading	**46.6**	(41.7)
– designated as such upon initial recognition	**40.9**	173.4
– derivative instruments – transactions not qualifying as hedges	**(17.8)**	2.1
	69.7	133.8
and after crediting:		
Gross rental income	**65.8**	29.9
Less: Outgoings	**(10.1)**	(3.0)
Net rental income	**55.7**	26.9
Gain on deregistration of subsidiaries	**–**	0.6
Foreign exchange differences, net	**(1.1)**	1.3
Reversal of impairment of loans receivable	**–**	0.5

Included under the cost of inventories sold and services provided.

8. FINANCE COSTS

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Interest on bank loans wholly repayable within five years	**129.5**	87.6
Interest on other borrowings wholly repayable within five years	**156.5**	20.2
Fair value changes on derivative financial instruments		
– cash flow hedge (transfer from hedge reserve)	**6.1**	1.3
Amortisation of debt establishment costs	**65.0**	18.1
Other loan costs	**5.6**	5.0
	362.7	132.2
Less: Finance costs capitalised	**(102.2)**	(10.6)
	260.5	121.6

9. DIRECTORS' REMUNERATION

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

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Fees	**3.2**	2.5
Other emoluments:		
Salaries and other allowances	**19.8**	14.6
Performance related/discretionary bonuses	**3.3**	3.0
Staff retirement scheme contributions	**1.5**	1.1
	27.8	21.2

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 **HK$'million**	**2012** **HK$'million**
Mr. Bowen Joseph Leung Po Wing, GBS, JP	**0.18**	0.17
Mr. Ng Siu Chan	**0.42**	0.33
Hon Abraham Shek Lai Him, GBS, JP	**0.33**	0.27
Mr. Wong Chi Keung	**0.52**	0.42
	1.45	1.19

– For the year ended 31st December, 2013, Directors' fees entitled by the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK$0.1 million per annum and HK$0.05 million per annum as its chairman and a member, respectively), the Nomination Committee (HK$0.03 million per annum) and the Remuneration Committee (HK$0.03 million per annum) of the Company, where applicable, amounted to HK$1.45 million (2012 - HK$1.19 million, which also included fees for serving as members of the Board Committees).

– The fees paid to Mr. Ng Siu Chan and Mr. Wong Chi Keung also included a fee for serving as an independent non-executive director as well as a member of each of the audit committee, the nomination committee and the remuneration committee of RHIHL amounted to HK$0.26 million (2012 - HK$0.13 million) and HK$0.21 million (2012 - HK$0.17 million), respectively.

– The fees paid to Hon Abraham Shek Lai Him, GBS, JP also included (i) a fee for serving as an independent non-executive director as well as a member of the audit committee of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT) amounted to HK$0.15 million (2012 - HK$0.15 million); and (ii) a fee of HK$0.1 million per annum for serving as an independent non-executive director of Cosmopolitan International Holdings Limited ("Cosmopolitan" and together with its subsidiaries, the "Cosmopolitan Group") as well as a fee of HK$0.05 million per annum in acting as a member of the audit committee and HK$0.03 million per annum in acting as a member of the nomination committee of Cosmopolitan since 18th December, 2013.

There were no other emoluments payable to the independent non-executive directors during the year (2012 - Nil).

(b) Executive directors

	Fees HK$'million (Note)	Salaries and other allowances HK$'million	Performance related/ discretionary bonuses HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2013					
Mr. Lo Yuk Sui	0.42	11.19	1.38	0.66	13.65
Mr. Jimmy Lo Chun To	0.30	1.46	0.31	0.15	2.22
Mr. Donald Fan Tung	0.30	1.89	0.44	0.19	2.82
Miss Lo Po Man	0.30	1.46	0.31	0.15	2.22
Mr. Kenneth Ng Kwai Kai	0.35	2.21	0.46	0.18	3.20
Mr. Kenneth Wong Po Man	0.10	1.62	0.35	0.16	2.23
	1.77	19.83	3.25	1.49	26.34
2012					
Mr. Lo Yuk Sui	0.31	7.97	1.25	0.50	10.03
Mr. Donald Fan Tung	0.23	1.52	0.44	0.15	2.34
Mr. Jimmy Lo Chun To	0.23	1.21	0.31	0.12	1.87
Miss Lo Po Man	0.19	0.92	0.23	0.09	1.43
Mr. Kenneth Ng Kwai Kai	0.21	1.62	0.40	0.13	2.36
Mr. Kenneth Wong Po Man	0.10	1.40	0.41	0.13	2.04
	1.27	14.64	3.04	1.12	20.07

Note:

For the year ended 31st December, 2013, the fees entitled by:

- Mr. Lo Yuk Sui also included (i) a fee of HK$0.03 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; (ii) a fee of HK$0.1 million per annum entitled by him for serving as an executive director of RHIHL and a fee of HK$0.03 million per annum for serving as a member of each of the nomination committee and the remuneration committee of RHIHL; (iii) a fee of HK$0.1 million per annum entitled by him for serving as an executive director of Cosmopolitan and a fee of HK$0.03 million per annum for serving as a member of each of the nomination committee and the remuneration committee of Cosmopolitan since 18th December, 2013; and (iv) a fee of HK$0.1 million per annum entitled by him for serving as a non-executive director of RPML.

- Mr. Jimmy Lo Chun To and Miss Lo Po Man also included (i) a fee of HK$0.1 million per annum entitled by each of these Directors for serving as an executive director of RHIHL; (ii) a fee of HK$0.1 million per annum entitled by each of these Directors for serving as an executive director of Cosmopolitan since 18th December, 2013; and (iii) a fee of HK$0.1 million per annum entitled by each of these Directors for serving as a non-executive director of RPML.

- Mr. Donald Fan Tung also included a fee of HK$0.1 million per annum entitled by him for serving as an executive director of RHIHL and a non-executive director of RPML.

- Mr. Kenneth Ng Kwai Kai also included (i) a fee of HK$0.1 million per annum entitled by him for serving as an executive director of RHIHL; (ii) a fee of HK$0.108 million per annum (which was revised to HK$0.1 million per annum effective from 18th December, 2013) entitled by him for serving as a non-executive director of Cosmopolitan whose office was re-designated as an executive director of Cosmopolitan on 18th December, 2013; and (iii) a fee of HK$0.1 million per annum entitled by him for serving as a non-executive director of RPML and a fee of HK$0.05 million per annum for serving as a member of the audit committee of RPML.

- Mr. Kenneth Wong Po Man also included a fee of HK$0.108 million per annum (which was revised to HK$0.1 million per annum effective from 18th December, 2013) entitled by him for serving as a non-executive director of Cosmopolitan whose office was re-designated as an executive director of Cosmopolitan on 18th December, 2013.

For the year ended 31st December, 2012, the fees entitled by:

- Mr. Lo Yuk Sui also included (i) a fee of HK$0.03 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company since 29th March, 2012; (ii) a fee of HK$0.1 million per annum entitled by him for serving as an executive director of RHIHL and a fee of HK$0.03 million per annum for serving as a member of each of the nomination committee and the remuneration committee of RHIHL since 29th March, 2012; and (iii) a fee of HK$0.1 million per annum entitled by him for serving as a non-executive director of RPML.

- Mr. Jimmy Lo Chun To and Mr. Donald Fan Tung also included a fee of HK$0.1 million per annum entitled by each of these Directors for serving as an executive director of RHIHL and a non-executive director of RPML.

- Miss Lo Po Man also included (i) a fee of HK$0.1 million per annum entitled by her for serving as an executive director of RHIHL; and (ii) a fee of HK$0.1 million per annum entitled by her for serving as a non-executive director of RPML since 24th September, 2012.

- Mr. Kenneth Ng Kwai Kai also included (i) a fee of HK$0.1 million per annum entitled by him for serving as an executive director of RHIHL; and (ii) a fee of HK$0.1 million per annum entitled by him for serving as a non-executive director of RPML since 24th September, 2012 and a fee of HK$0.05 million per annum for serving as a member of the audit committee of RPML since 24th September, 2012.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included four (2012 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. Details of the remuneration for the year of the remaining one (2012 - one) individual, who was not a Director, are as follows:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Salaries and other emoluments	**2.2**	1.3
Performance related/discretionary bonuses	**0.5**	0.4
Staff retirement scheme contributions	**0.2**	0.1
	2.9	1.8

The emoluments of the remaining one (2012 - one) individual fell within the following bands:

HK$	**2013 Number of individuals**	**2012 Number of individuals**
1,500,001 - 2,000,000	**–**	1
2,500,001 - 3,000,000	**1**	–

11. INCOME TAX

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Group:		
Current – Hong Kong		
Charge for the year	**65.9**	50.7
Overprovision in prior years	**(0.8)**	(1.1)
Current – Overseas		
Charge for the year	**53.2**	1.0
Underprovision/(Overprovision) in prior years	**0.2**	(0.8)
Deferred (note 35)	**(33.6)**	(47.2)
Total tax charge for the year	**84.9**	2.6

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2012 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Profit before tax	**532.7**	2,379.0
Tax at the Hong Kong statutory tax rate of 16.5% (2012 - 16.5%)	**87.9**	392.5
Adjustment in respect of current tax of previous years	**(0.6)**	(1.9)
Profits and losses attributable to joint ventures and associates	**(6.9)**	(28.1)
Higher/(Lower) tax rates of other jurisdiction	**(26.8)**	0.2
Income not subject to tax	**(40.6)**	(1,095.8)
Expenses not deductible for tax	**50.9**	743.3
Tax losses utilised from previous years	**(19.4)**	(16.1)
Tax losses not recognised during the year	**32.1**	5.2
Others	**8.3**	3.3
Tax charge at the Group's effective rate of 15.9% (2012 - 0.11%)	**84.9**	2.6

The share of tax attributable to associates amounting to HK$9.3 million (2012 - HK$15.0 million) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

No provision for tax was required for the joint ventures as no assessable profits were earned by the joint ventures during the year (2012 - Nil).

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2013 includes a loss of HK$4.5 million (2012 - HK$7.0 million) which has been dealt with in the financial statements of the Company. In addition, the Company also recorded a dividend income of HK$500.0 million from a subsidiary attributable to previous years' profits. In aggregate, the Company's profit for the year ended 31st December, 2013 amounted to HK$495.5 million (note 37(b)).

13. DIVIDENDS

	2013 HK$'million	2012 HK$'million
Interim - HK2.2 cents (2012 - HK2.0 cents) per ordinary share	**24.5**	22.4
Proposed final - HK9.3 cents (2012 - HK8.8 cents) per ordinary share	**103.7**	98.1
	128.2	120.5

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$322.9 million (2012 - HK$2,294.3 million) and on the weighted average of 1,115.0 million (2012 - 1,133.2 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

No adjustment has been made to the basic earnings per ordinary share amount presented for the years ended 31st December, 2013 and 2012 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Hotel land and buildings HK$'million	Leasehold properties HK$'million	Properties under construction HK$'million	Leasehold improvements, furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Aircraft HK$'million	Construction in progress HK$'million	Total HK$'million
31st December, 2013								
At 31st December, 2012 and 1st January, 2013								
Cost	17,861.0	29.1	2,469.8	91.8	2.2	81.8	30.3	20,566.0
Accumulated depreciation	(276.9)	(1.0)	–	(17.6)	(0.7)	–	–	(296.2)
Net carrying amount	17,584.1	28.1	2,469.8	74.2	1.5	81.8	30.3	20,269.8
At 1st January, 2013, net of accumulated depreciation	17,584.1	28.1	2,469.8	74.2	1.5	81.8	30.3	20,269.8
Additions	–	–	303.4	161.8	0.3	98.5	4.4	568.4
Transfer	–	–	–	30.3	–	–	(30.3)	–
Acquisition of subsidiaries (note 38(a))	–	–	–	1.1	1.4	–	0.2	2.7
Disposal of subsidiaries (note 40(c))	–	–	(1,038.6)	(0.4)	(0.3)	–	–	(1,039.3)
Write-off/Disposals	–	–	–	(1.2)	(0.2)	–	–	(1.4)
Write-back of depreciation upon write-off/disposals	–	–	–	0.7	0.2	–	–	0.9
Depreciation provided during the year	(424.6)	(0.9)	–	(26.7)	(0.6)	(5.7)	–	(458.5)
Exchange realignment	–	–	2.3	0.1	–	–	–	2.4
At 31st December, 2013, net of accumulated depreciation	17,159.5	27.2	1,736.9	239.9	2.3	174.6	4.6	19,345.0
At 31st December, 2013:								
Cost	17,861.0	29.1	1,736.9	283.2	3.2	180.3	4.6	20,098.3
Accumulated depreciation	(701.5)	(1.9)	–	(43.3)	(0.9)	(5.7)	–	(753.3)
Net carrying amount	17,159.5	27.2	1,736.9	239.9	2.3	174.6	4.6	19,345.0

	Hotel land and buildings HK$'million	Leasehold properties HK$'million	Properties under construction HK$'million	Leasehold improvements, furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Aircraft HK$'million	Construction in progress HK$'million	Total HK$'million
	GROUP							
31st December, 2012								
At 1st January, 2012:								
Cost	–	1.1	–	10.4	1.0	–	–	12.5
Accumulated depreciation	–	(0.4)	–	(9.9)	(0.5)	–	–	(10.8)
Net carrying amount	–	0.7	–	0.5	0.5	–	–	1.7
At 1st January, 2012, net of accumulated depreciation	–	0.7	–	0.5	0.5	–	–	1.7
Additions	–	–	96.6	56.9	0.6	81.8	30.3	266.2
Deemed acquisition of subsidiaries (note 38(b))	17,861.0	28.0	2,372.1	24.5	0.8	–	–	20,286.4
Write-off/Disposals	–	–	–	–	(0.2)	–	–	(0.2)
Write-back of depreciation upon write-off/disposals	–	–	–	–	0.2	–	–	0.2
Depreciation provided during the year	(276.9)	(0.6)	–	(7.7)	(0.4)	–	–	(285.6)
Exchange realignment	–	–	1.1	–	–	–	–	1.1
At 31st December, 2012, net of accumulated depreciation	17,584.1	28.1	2,469.8	74.2	1.5	81.8	30.3	20,269.8
At 31st December, 2012:								
Cost	17,861.0	29.1	2,469.8	91.8	2.2	81.8	30.3	20,566.0
Accumulated depreciation	(276.9)	(1.0)	–	(17.6)	(0.7)	–	–	(296.2)
Net carrying amount	17,584.1	28.1	2,469.8	74.2	1.5	81.8	30.3	20,269.8

The Group's hotel land and buildings and leasehold properties are situated in Hong Kong and are held under the following lease terms:

	2013 HK$'million	2012 HK$'million
Long term lease	**9,154.7**	9,231.2
Medium term lease	**8,032.0**	8,381.0
	17,186.7	17,612.2

The Group's properties under construction with a carrying amount of HK$1,736.9 million (2012 - HK$1,441.1 million) are situated in Hong Kong and are held under long term leases. In addition, the Group's properties under construction with a carrying amount of HK$1,028.7 million as at 31st December, 2012 was situated in Mainland China and was held under medium term lease.

At 31st December, 2013, the Group's property, plant and equipment with a net carrying amount of HK$12,820.2 million (2012 - HK$17,637.0 million) were pledged to secure banking facilities granted to the Group.

16. INVESTMENT PROPERTIES

	GROUP	
	2013 HK$'million	2012 HK$'million
Completed investment properties	**1,035.4**	948.3
Investment properties under construction	**680.0**	–
	1,715.4	948.3
The movements of investment properties during the year are as follows:		
Carrying amount at 1st January	**948.3**	0.2
Deemed acquisition of subsidiaries (note 38(b))	**–**	887.0
Acquisitions	**749.9**	–
Capital expenditure for the year	**8.2**	0.5
Net gain from fair value adjustments	**9.0**	60.6
Carrying amount at 31st December	**1,715.4**	948.3

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	2013 HK$'million	2012 HK$'million
Long term lease	**180.0**	162.0
Medium term lease	**1,535.4**	786.3
	1,715.4	948.3

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31st December, 2013 based on valuations performed by Savills Valuation and Professional Services Limited, DTZ Debenham Tie Leung Limited and Landscope Christie Real Estate Limited, three independent professionally qualified valuers, at HK$1,715.4 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also have discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 44(a) to the financial statements.

During the year, gross rental income and direct operating expenses of investment properties amounted to HK$14.0 million (2012 - HK$9.3 million) and HK$2.2 million (2012 - HK$0.8 million), respectively.

At 31st December, 2013, the Group's investment properties with a carrying value of HK$303.0 million (2012 - HK$413.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's completed investment properties and investment properties under construction are included on pages 177 to 178 and page 174, respectively.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31st December, 2013 using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Residential properties	–	–	855.0	855.0
Commercial properties	–	–	180.0	180.0
Commercial properties under construction	–	–	680.0	680.0
Industrial properties	–	–	0.4	0.4
	–	–	1,715.4	1,715.4

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential properties HK$'million	Commercial properties HK$'million	Commercial properties under construction HK$'million	Industrial properties HK$'million
Carrying amount at 1st January, 2013	786.0	162.0	–	0.3
Acquisitions	88.0	–	661.9	–
Capital expenditure for the year	–	–	8.2	–
Gain/(Loss) from fair value adjustments	(19.0)	18.0	9.9	0.1
Carrying amount at 31st December, 2013	855.0	180.0	680.0	0.4

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

	Valuation techniques	Significant unobservable inputs	Range
Residential properties	Sales comparison approach	Estimated market price per square foot	HK$25,131 to HK$36,272
Commercial properties	Discounted cash flow method	Capitalisation rate	3.25% to 3.75%
		Discount rate	6.25% to 6.75%
		Estimated rental value per square metre and per month	HK$403 to HK$1,465
Commercial properties under construction	Residual method	Estimated price per square foot	HK$11,815 to HK$20,088
		Estimated cost to completion per square foot	HK$3,650
		Estimated developer's profit	19%
		Interest rate	3.5%
Industrial properties	Sales comparison approach	Estimated market price per square foot	HK$55 to HK$162

Under the sales comparison approach, fair value is estimated by making references to the sales of comparable properties as available in the market, with adjustment for the difference in the key attributes such as the time, location, size, interior decoration and other relevant matters.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property.

Under the residual method, fair value is estimated by reference to the properties' development potential by deducting development costs, interest and developer's profit from the estimated gross development value.

A significant increase/(decrease) in the estimated market rental value and estimated price per square foot in isolation would result in a significant increase/(decrease) in the fair value of the residential, commercial and industrial properties. A significant increase/(decrease) in the capitalisation rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the commercial properties.

For commercial properties under construction, a significant increase/(decrease) in the estimated price per square foot in isolation would result in a significant increase/(decrease) in the fair value of the properties. A significant increase/(decrease) in estimated cost to completion per square foot, estimated developer's profit and interest rate in isolation would result in a significant decrease/(increase) in the fair value of the properties.

17. PROPERTIES UNDER DEVELOPMENT

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Balance at 1st January	**1,201.9**	–
Acquisition/Deemed acquisition of subsidiaries (note 38)	**3,560.8**	1,129.9
Disposal of subsidiaries (note 40(c))	**(828.0)**	–
Additions	**3,104.0**	68.4
Exchange realignment	**20.3**	3.6
Balance at 31st December	**7,059.0**	1,201.9
Portion included in current assets	**(5,750.4)**	(831.1)
Non-current portion	**1,308.6**	370.8

	2013 **HK$'million**	**2012** **HK$'million**
Properties under development expected to be completed within normal operating cycle included under current assets and recovered:		
Within one year	**492.7**	–
After one year	**5,257.7**	831.1
	5,750.4	831.1

The Group's properties under development are situated in Hong Kong and Mainland China and are held under the following lease terms:

	2013 HK$'million	2012 HK$'million
Hong Kong		
Long term lease	**480.8**	–
Medium term lease	**2,903.7**	400.4
	3,384.5	400.4
Mainland China		
Long term lease	**2,579.2**	801.5
Medium term lease	**1,095.3**	–
	3,674.5	801.5
	7,059.0	1,201.9

At 31st December, 2013, one of the Group's properties under development with a carrying amount of HK$503.2 million (2012 - Nil) was pledged to secure a banking facility granted to the Group.

18. INVESTMENT IN A JOINT VENTURE

	GROUP	
	2013 HK$'million	2012 HK$'million
Unlisted company:		
Share of net assets	**–**	384.2
Loan to a joint venture	**–**	14.4
Amount due to a joint venture	**–**	(147.4)
	–	251.2

The loan to the joint venture was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the Directors, this loan was considered as a quasi-equity investment in the joint venture.

The amount due to a joint venture was unsecured, interest-free and not repayable within one year.

Details of the Group's investment in a joint venture in the prior year were as follows:

Name	Place of incorporation and business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2013	Percentage of equity interest attributable to the Group 2012	Principal activity
Faith Crown Holdings Limited[1] ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	–	50	Investment holding

The joint venture was indirectly held by the Company.

(1) The major asset of Faith Crown was its 30% indirect interest in a property development project in Xindu District, Chengdu in Sichuan Province, the PRC, which was sold to a subsidiary of Cosmopolitan during the year.

Faith Crown was considered a material joint venture of the Group and was accounted for using the equity method.

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

	2012 HK$'million
Non-current assets	595.6
Current assets	200.0
Non-current financial liabilities, excluding trade and other payables	(27.2)
Net assets	768.4
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	384.2
Loan to the joint venture	14.4
Amount due to the joint venture	(147.4)
Carrying amount of the investment	251.2
Profit for the year	–
Other comprehensive income for the year	–
Total comprehensive income for the year	–

19. INVESTMENTS IN ASSOCIATES

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Unlisted companies:		
Share of net assets/(liabilities)	**(1.3)**	14.1
Amounts due from associates	**28.9**	12.0
	27.6	26.1

Goodwill

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Cost and carrying amount at 1st January	**–**	287.6
Release on business combination	**–**	(287.6)
Cost and carrying amount at 31st December	**–**	–

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the Directors, the amounts due from associates are considered as quasi-equity investments in the associates.

Details of the Group's principal associates are as follows:

Name	Place of incorporation and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group 2013	2012	Principal activities
Cheerjoy Development Limited*	Hong Kong	HK$2	30.0	30.0	Property development
8D International (BVI) Limited ("8D-BVI")	British Virgin Islands	HK$1,000	30.0[(1)]	30.0[(1)]	Investment holding
8D International Limited# ("8D International")	Hong Kong	HK$500,000	36.0[(1)]	36.0[(1)]	Advertising and promotion
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK$2,000,000	36.0[(1)]	36.0[(1)]	Investment holding
Bright Future (HK) Limited*	Hong Kong	HK$10,000	50.0[(1)]	50.0[(1)]	Investment holding
Century Innovative Technology Limited# ("Century Innovative")	Hong Kong	HK$1	36.0[(1)]	36.0[(1)]	Development and distribution of edutainment products
深圳市世紀創意科技有限公司*# ("深圳市世紀創意")	PRC/ Mainland China	RMB30,000,000	36.0[(1)]	36.0[(1)]	Development and distribution of edutainment products

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

\# These are wholly owned subsidiaries of 8D Matrix.

(1) The percentages of equity interest represent those attributable to RHIHL, including, in the cases of 8D International, 8D Matrix, Century Innovative and 深圳市世紀創意, a 6% attributable interest held by RHIHL through 8D-BVI.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length. All associates were indirectly held by the Company.

8D Matrix is considered a material associate of the Group and is accounted for using the equity method. 8D Matrix and its subsidiaries are mainly engaged in the development and distribution of edutainment products, and advertising and promotion activities.

The following table illustrates the summarised financial information of 8D Matrix adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2013 HK$'million	2012 HK$'million
Non-current assets	**21.1**	2.1
Current assets	**25.1**	8.8
Current liabilities	**(6.1)**	(2.4)
Non-current financial liabilities	**(65.3)**	(18.3)
	(25.2)	(9.8)
Non-controlling interests	**(0.2)**	(0.2)
Net liabilities attributable to equity holders of the parent	**(25.4)**	(10.0)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net liabilities of the associate	**(7.6)**	(3.0)
Amount due from the associate	**19.6**	5.5
Carrying amount of the investment	**12.0**	2.5
Revenue	**10.5**	6.2
Loss for the year and total comprehensive loss for the year	**(15.5)**	(7.9)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 HK$'million	2012 HK$'million
Share of the associates' profit for the year	**46.4**	173.1
Share of the associates' other comprehensive income/(loss) for the year	**0.5**	(55.9)
Share of the associates' total comprehensive income for the year	**46.9**	117.2
Aggregate carrying amount of the Group's investments in associates	**15.6**	23.6

20. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Non-current assets:		
Unlisted investments, at fair value	**18.3**	9.5

During the prior year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$0.4 million, and was reclassified from other comprehensive income to the statement of profit or loss.

The above unlisted investments consist of investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Non-current assets:		
Hong Kong listed equity investments, at market value	**–**	164.5
Current assets:		
Hong Kong listed equity investments, at market value	**631.1**	342.5
Hong Kong unlisted equity investments, at fair value	**–**	89.7
Hong Kong listed debt investments, at market value	**67.5**	24.0
Overseas listed debt investments, at market value	**54.3**	73.5
Unlisted debt investments, at fair value	**–**	555.7
Structured deposits, at fair value	**11.7**	–
	764.6	1,085.4

The listed equity investments included under non-current assets, the unlisted debt investments and structured deposits were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments is provided on that basis to the Group's key management personnel.

The equity investments and listed debt investments included under current assets at 31st December, 2013 and 2012 were classified as held for trading.

The unlisted debt investments included under current assets at 31st December, 2012 represented two series of convertible bonds, the 2013 Extended CB and 2013 CB as further detailed below, issued by certain subsidiaries of Cosmopolitan.

2013 Extended CB

These convertible bonds were issued by the Cosmopolitan Group and held by the RHIHL Group in a principal amount of HK$141.45 million, originally due in 2010 and extended to 14th February, 2013, and were convertible into 3,536.3 million new shares of Cosmopolitan at an adjusted conversion price of HK$0.04 per share ("2013 Extended CB") at 31st December, 2012.

2013 CB

These convertible bonds were also issued by the Cosmopolitan Group in an aggregate principal amount of HK$200.0 million held by the Group (including those in a principal amount of HK$100.0 million held by the RHIHL Group), which were due in 2013 and were convertible into 333.3 million new shares of Cosmopolitan at an initial conversion price of HK$0.6 per share (the "2013 CB"). The Group was also granted an option to subscribe for further 2013 CB in an additional principal amount of up to HK$200.0 million. The optional 2013 CB, if fully subscribed for and issued, would be convertible into 333.3 million new shares of Cosmopolitan at an initial conversion price of HK$0.6 per share. The conversion price of 2013 CB was adjusted to HK$0.3 per share upon the issuance of new convertible bonds by the Cosmopolitan Group on 25th February, 2009. With effect from 30th August, 2010, the conversion price of 2013 CB was further adjusted to HK$0.06 per share as a result of the subdivision of ordinary shares of Cosmopolitan. At 31st December, 2012, the 2013 CB (including the issued 2013 CB and, if fully subscribed for and issued, the optional 2013 CB) in an aggregate principal amount of HK$400.0 million were convertible into a total of 6,666.7 million new shares of Cosmopolitan at the adjusted conversion price of HK$0.06 per share.

On 16th November, 2012, the Group entered into extension agreements with the Cosmopolitan Group (the "Extension Agreements") to further extend the maturity dates of both the 2013 Extended CB and 2013 CB to 30th September, 2013. The Extension Agreements became unconditional upon, among others, the relevant shareholders' approval being obtained in January 2013.

At 31st December, 2012, the Group also held approximately 19.9% interest in the issued share capital of Cosmopolitan, which was included in listed equity investments under non-current assets. On the basis that all outstanding convertible bonds were converted, and all optional bonds were subscribed and converted, by the Group and other bondholders, the interest held by the Group in the enlarged issued share capital of Cosmopolitan would be increased to 57.1%. The results of the Cosmopolitan Group had not been consolidated or equity accounted for by the Group as the Directors considered that despite the Group's investments in the shares of Cosmopolitan and the 2013 CB, the Group was not in a position to exercise control or significant influence over the financial and operating policies of Cosmopolitan.

The fair values of the unlisted debt investments at 31st December, 2012 had been estimated by an independent professional valuer using valuation techniques, including discounted cash flows and binomial option pricing models, based on the quoted market price of the underlying listed security.

In July 2013, the Group exercised its right to subscribe for the optional 2013 CB in a principal amount of HK$200.0 million (including those in a principal amount of HK$100.0 million subscribed by the RHIHL Group). Later in September 2013, the Group acquired approximately 19.4% interest in the then issued share capital of Cosmopolitan from the then single largest shareholder of Cosmopolitan and converted all the outstanding 2013 Extended CB and 2013 CB into new ordinary shares of Cosmopolitan. As a result of the acquisition and conversions, the Group held a 67.5% interest in the issued share capital of Cosmopolitan. Cosmopolitan has become a subsidiary of the Company and its results has been consolidated by the Group.

22. HELD-TO-MATURITY INVESTMENTS

At 31st December, 2013, the amount represents unlisted certificates of deposit with fixed maturity dates. Except for an amount of HK$38.8 million which is denominated in United States dollars, all unlisted certificates of deposit are denominated in Renminbi with fixed interest rates ranging from 1.1% to 3.2% per annum.

At 31st December, 2012, the amount represented unlisted certificates of deposit and note receivables with fixed maturity dates. All unlisted certificates of deposit and note receivables were denominated in Renminbi with fixed interest rates ranging from 2.4% to 3.1% per annum.

23. LOANS RECEIVABLE

		GROUP	
	Notes	2013 HK$'million	2012 HK$'million
Long term mortgage loans	(a)	**2.8**	3.1
Other loan	(b)	**12.3**	18.9
Balance at 31st December		**15.1**	22.0
Portion included in current assets		**(6.7)**	(0.3)
Non-current portion		**8.4**	21.7

Notes:

(a) The long term mortgage loans represent loans granted to purchasers in connection with the sale of its properties. The loans are secured by second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at rates ranging from the Hong Kong prime rate to the Hong Kong prime rate plus 2% per annum.

(b) The other loan represents the outstanding balance of a loan in an original sum of US$10.0 million (HK$78.0 million) advanced to the owner of a hotel in Shanghai, the PRC, which is managed by the Group. The loan is unsecured, interest-free and repayable in instalments, the last of which falls due no later than 2015.

24. TRADEMARK

	GROUP	
	2013 HK$'million	2012 HK$'million
Cost and carrying amount at 1st January	**610.2**	–
Deemed acquisition of subsidiaries (note 38(b))	**–**	610.2
Cost and carrying amount at 31st December	**610.2**	610.2

25. GOODWILL

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Cost and carrying amount at 1st January	**–**	–
Acquisition of a listed subsidiary (note 38(a))	**261.0**	–
Cost and carrying amount at 31st December	**261.0**	–

No impairment was made on the goodwill as at 31st December, 2013.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the property development cash-generating unit. The recoverable amount of the property development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been prepared to reflect the development plan of the property projects, comprising residential, commercial and hotel buildings. The discount rate applied to the cash flow projections is 22.8%.

Assumptions were used in the value in use calculation of the property development cash-generating unit for 31st December, 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate - Discount rate used is before tax and represents the current market assessment of the risks specific to the property development cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings that the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on publicly available market data.

Construction materials price inflation - The basis used to determine the construction materials price inflation is the forecast price indices during the budget year for PRC where the raw materials are to be sourced.

The values assigned to the key assumptions on property development, discount rate and construction materials price inflation are consistent with external information sources.

26. PROPERTIES HELD FOR SALE

At 31st December, 2013, the Group's properties held for sale with a carrying amount of HK$663.7 million (2012 - HK$662.0 million) were pledged to secure banking facilities granted to the Group.

27. INVENTORIES

	GROUP	
	2013 HK$'million	2012 HK$'million
Hotel and other merchandise	**33.6**	25.3
Work in progress	**21.9**	11.8
Finished goods	**1.0**	1.0
	56.5	38.1

28. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$130.2 million (2012 - HK$151.2 million) representing the trade debtors of the Group.

	GROUP	
	2013 HK$'million	2012 HK$'million
Trade debtors	**132.4**	153.4
Impairment	**(2.2)**	(2.2)
	130.2	151.2

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade debtors are non-interest bearing.

The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Outstanding balances with ages:		
Within 3 months	**110.2**	127.4
Between 4 to 6 months	**9.3**	7.8
Between 7 to 12 months	**3.8**	7.1
Over 1 year	**9.1**	11.1
	132.4	153.4
Impairment	**(2.2)**	(2.2)
	130.2	151.2

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

	GROUP	
	2013 HK$'million	**2012 HK$'million**
At 1st January	**2.2**	–
Deemed acquisition of subsidiaries	**–**	1.3
Impairment losses recognised (note 7)	**–**	0.9
At 31st December	**2.2**	2.2

The above provision for impairment of trade debtors represents a provision for individually impaired trade debtors of HK$2.2 million (2012 - HK$2.2 million) with a gross carrying amount before provision of HK$2.2 million (2012 - HK$2.2 million). The individually impaired trade debtors relate to customers that were in financial difficulties and the balances are not expected to be recovered.

The aged analysis of the trade debtors that are not considered to be impaired is as follows:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Neither past due nor impaired	**71.3**	87.8
Less than 3 months past due	**39.9**	40.2
4 to 6 months past due	**8.4**	7.4
7 to 12 months past due	**3.8**	6.1
Over 1 year past due	**6.8**	9.7
	130.2	151.2

Trade debtors that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of diversified independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment 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.

Included in the balances are amounts due from the Group's associates, a fellow subsidiary and a related company of Nil (2012 - HK$0.1 million), HK$0.9 million (2012 - HK$1.5 million) and HK$1.3 million (2012 - HK$1.3 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

29. RESTRICTED CASH

At 31st December, 2013, the Group had approximately HK$51.9 million (2012 - HK$44.2 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties.

30. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK$85.0 million (2012 - HK$84.6 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Outstanding balances with ages:		
Within 3 months	**84.2**	83.1
Between 4 to 6 months	**0.3**	1.1
Between 7 to 12 months	**–**	0.1
Over 1 year	**0.5**	0.3
	85.0	84.6

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balance under current liabilities are amounts due to the Group's joint venture, an associate and fellow subsidiaries of Nil (2012 - HK$200.0 million), HK$3.0 million (2012 - HK$2.0 million) and HK$5.8 million (2012 - HK$3.0 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment except for the amount due to the Group's joint venture in the prior year which was repayable within one year.

The creditor balance of HK$448.1 million included under non-current liabilities in the prior year represented an amount due to a former joint venture which was unsecured, non-interest bearing and not repayable within one year.

31. CONSTRUCTION CONTRACTS

	GROUP 2013 HK$'million	2012 HK$'million
Gross amount due from contract customers included in debtors, deposits and prepayments	**6.8**	14.9
Gross amount due to contract customers included in creditors and accruals	**(10.6)**	(6.1)
	(3.8)	8.8
Contract costs incurred plus recognised profits less recognised losses to date	**835.5**	646.8
Less: Progress billings	**(839.3)**	(638.0)
	(3.8)	8.8

At 31st December, 2013, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK$2.9 million (2012 - HK$2.9 million).

32. INTEREST BEARING BANK BORROWINGS

	GROUP 2013		2012	
	Maturity	HK$'million	Maturity	HK$'million
Current				
Bank loans – secured	**2014**	**1,624.0**	2013	81.5
Non-current				
Bank loans – secured	**2015-2018**	**5,599.8**	2014-2015	5,404.3
		7,223.8		5,485.8

	2013 HK$'million	2012 HK$'million
Analysed into:		
Bank loans repayable:		
Within one year	**1,624.0**	81.5
In the second year	**755.7**	229.6
In the third to fifth years, inclusive	**4,844.1**	5,174.7
	7,223.8	5,485.8

Included in the bank loans under non-current liabilities as at 31st December, 2012 was a facility aggregating HK$4.5 billion granted to the Regal REIT group (the "2012 Term Loan Facility"). The 2012 Term Loan Facility bore interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 2.1% per annum, repayable in full on 9th March, 2015 and was secured by the five Initial Hotels. The Regal REIT group has also entered into interest rate swap arrangements to hedge against the interest rate exposure for the 2012 Term Loan Facility for a notional amount of HK$3.0 billion, details of which are set out in note 34 to the financial statements.

On 23rd July, 2013, the Regal REIT group entered into a new facility agreement (the "2013 New Facility Agreement") for a new term loan facility of up to HK$4,500.0 million (the "New Term Loan Facility") and a revolving facility of up to HK$300.0 million (the "Revolving Facility") (together, the "2013 New Facilities"). The 2013 New Facilities bear HIBOR-based interest with a lower interest margin as compared with the 2012 Term Loan Facility. The final maturity of the 2013 New Facilities is on 20th July, 2018. The term loan of HK$4.5 billion and the revolving loan of HK$150 million were drawn down on 29th August, 2013 and 4th October, 2013, respectively. The New Term Loan Facility was wholly used to early refinance the 2012 Term Loan Facility for the same principal amount, while the Revolving Facility is being used for the general corporate funding needs of the Regal REIT group. Moreover, the 2013 New Facilities are only secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. Upon drawdown of the New Term Loan Facility and repayment of the 2012 Term Loan Facility in August 2013, the remaining two Initial Hotels, namely, Regal Kowloon Hotel and Regal Oriental Hotel, became free of mortgages and are currently held on an unencumbered basis.

The Regal REIT group also has a bilateral loan facility of HK$340.0 million (the "iClub Facility") for a term of three years. The iClub Facility also bears HIBOR-based interest.

As at the end of the reporting period, the iClub Facility had an outstanding amount of HK$327.4 million, a portion of HK$7.2 million is repayable quarterly and a final repayment portion of HK$320.2 million is due on 24th February, 2015.

Bank borrowings under the 2013 New Facilities are guaranteed by Regal REIT and, on a joint and several basis, by certain individual companies within the Regal REIT group. The iClub Facility is guaranteed by Regal REIT.

The Regal REIT group's interest bearing bank borrowings are also secured by, among others:

(i) legal charges and debentures over the corresponding properties;

(ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, and relating to the relevant properties;

(iii) charges over the relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;

(iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and

(v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

The Group's other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 42 to the financial statements. They bear interest at HIBOR plus 0.9% to 2.69% per annum (2012 - HIBOR plus 0.98% to 2.69% per annum) except for a bank loan of HK$170.8 million which bears interest at the bank's cost of fund plus 0.75% per annum (2012 - Nil).

At 31st December, 2013, all interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK$183.0 million, in aggregate, which are denominated in United States dollars. In the prior year, all interest bearing bank borrowings were denominated in Hong Kong dollars.

33. OTHER BORROWINGS

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Non-current		
Unsecured other borrowings repayable in the third to fifth years, inclusive	**4,200.5**	2,293.8

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly-owned subsidiary of RHIHL, established a US$1,000 million medium term note programme guaranteed by RHIHL (the "MTN Programme").

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the "Regal REIT MTN Issuer"), a wholly owned subsidiary of Regal REIT, established a US$1,000 million medium term note programme (the "Regal REIT MTN Programme").

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in the aggregate nominal principal amount of HK$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount.

34. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2013 **HK$'million**	**2012** **HK$'million**
Foreign currency option contracts classified as current	**22.0**	–

	LIABILITIES	
	2013 **HK$'million**	**2012** **HK$'million**
Interest rate swaps – cash flow hedges	**4.1**	2.8
Foreign currency option contracts	**–**	2.1
	4.1	4.9
Portion classified as non-current		
Interest rate swaps – cash flow hedges	**(4.1)**	(2.8)
Current portion	**–**	2.1

The Regal REIT group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to one of its floating rate term loans. As at 31st December, 2013, the interest rate swaps had an aggregate notional amount of HK$3.0 billion (2012 - HK$3.0 billion) (note 32). The interest rate swaps will mature on 9th March, 2015 and the fixed swap interest rates ranged from 0.355% per annum to 0.483% per annum (2012 - 0.355% per annum to 0.483% per annum) as at 31st December, 2013.

The interest rate swaps are measured at fair value at the end of the reporting period and are determined based on discounted cash flow models.

In addition, the Group has entered into foreign currency option contracts which are not designated for hedge purposes and are measured at fair value through profit or loss. A fair value gain on non-hedging foreign currency option contracts of HK$17.8 million was charged to the statement of profit or loss during the year (2012 - loss of HK$2.1 million).

35. DEFERRED TAX LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

	Depreciation allowances in excess of related depreciation HK$'million	Losses available for offsetting against future taxable profits HK$'million	Fair value adjustments arising from acquisition of subsidiaries HK$'million	Total HK$'million
Deemed acquisition of subsidiaries (note 38(b))	(1,090.7)	7.8	(1,251.1)	(2,334.0)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	18.3	(0.9)	29.8	47.2
Gross deferred tax assets/(liabilities) at 31st December, 2012 and at 1st January, 2013	(1,072.4)	6.9	(1,221.3)	(2,286.8)
Acquisition of a listed subsidiary (note 38(a))	–	–	(404.1)	(404.1)
Disposal of subsidiaries (note 40(c))	–	–	334.9	334.9
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	25.2	(0.8)	9.2	33.6
Gross deferred tax assets/(liabilities) at 31st December, 2013	(1,047.2)	6.1	(1,281.3)	(2,322.4)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

The Group has tax losses arising in Hong Kong and the United States of America amounting to HK$4,252.0 million (2012 - HK$4,006.9 million) and HK$204.5 million (2012 - HK$204.4 million), respectively, as at 31st December, 2013. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. Deferred tax assets amounting to HK$773.2 million (2012 - HK$732.7 million) have not been recognised in respect of these tax losses on account of the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

At 31st December, 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$21.7 million at 31st December, 2013 (2012 - HK$6.2 million).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2013 HK$'million	**2012 HK$'million**
Shares		
Authorised:		
2,000.0 million (2012 - 2,000.0 million) ordinary shares of HK$0.10 each	**200.0**	200.0
4,750.0 million (2012 - 4,750.0 million) non-voting convertible preference shares of HK$0.10 each	**475.0**	475.0
	675.0	675.0
Issued and fully paid:		
1,115.0 million (2012 - 1,115.0 million) ordinary shares of HK$0.10 each	**111.5**	111.5
Share premium		
Ordinary shares	**1,357.2**	1,357.2

A summary of the movements in the Company's share capital and share premium account during the years ended 31st December, 2013 and 2012 is as follows:

		Authorised		Issued and fully paid		Share premium account
	Note	Number of shares 'million	Amount HK$'million	Number of shares 'million	Amount HK$'million	Amount HK$'million
Ordinary shares						
At 1st January, 2012		2,000.0	200.0	1,149.3	114.9	1,434.2
Repurchase and cancellation of ordinary shares	(i)	–	–	(34.3)	(3.4)	(77.0)
At 31st December, 2012 and 2013		2,000.0	200.0	1,115.0	111.5	1,357.2
Non-voting convertible preference shares of HK$0.10 each						
At 1st January, 2012, 31st December, 2012 and 2013		4,750.0	475.0	–	–	–
Total share capital						
At 31st December, 2013			**675.0**		**111.5**	**1,357.2**
At 31st December, 2012			675.0		111.5	1,357.2

Note:

(i) All ordinary shares repurchased during the prior year were cancelled during that year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchases of the ordinary shares of HK$77.0 million were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

Share options

The Paliburg Holdings Limited Share Option Scheme

The Company operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"). The Paliburg Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Paliburg Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No options were granted or exercised under the Paliburg Share Option Scheme during the year, and there were no outstanding options under the Paliburg Share Option Scheme during the year.

The summarised information on the Paliburg Share Option Scheme is set out as follows:

(i)	Purpose:	To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
(ii)	Participants:	Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person
(iii)	Total number of ordinary shares subject to outstanding options under the Paliburg Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2013 and at the date of this report:	Nil
(iv)	Maximum entitlement of each participant under the Paliburg Share Option Scheme:	Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested to no later than ten years after the offer date

(vi)	Minimum period for which an option must be held before it can be exercised:	No minimum period unless otherwise determined by the Board at the time of the approval of the grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A
(viii)	The basis of determining the exercise price:	Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company
(ix)	The life of the Paliburg Share Option Scheme:	The life of the Paliburg Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015.

The Regal Hotels International Holdings Limited Share Option Scheme

RHIHL operates a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"). The Regal Share Option Scheme was adopted by RHIHL's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Regal Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No options were granted or exercised under the Regal Share Option Scheme during the year, and there were no outstanding options under the Regal Share Option Scheme during the year.

The summarised information on the Regal Share Option Scheme is set out as follows:

(i)	Purpose:	To provide RHIHL with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
(ii)	Participants:	Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the RHIHL Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the RHIHL Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the RHIHL Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person
(iii)	Total number of ordinary shares subject to outstanding options under the Regal Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2013 and at the date of this report:	Nil
(iv)	Maximum entitlement of each participant under the Regal Share Option Scheme:	Not exceeding 1% of the offer ordinary shares of RHIHL in issue as of the offer date in any 12 month period
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested to no later than ten years after the offer date

(vi)	Minimum period for which an option must be held before it can be exercised:	No minimum period unless otherwise determined by the Board at the time of the approval of the grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A
(viii)	The basis of determining the exercise price:	Determined by the board of RHIHL (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of RHIHL on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of RHIHL on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of RHIHL
(ix)	The life of the Regal Share Option Scheme:	The life of the Regal Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015.

37. RESERVES

(a) **Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 56 and 57.

Special reserve

The Group's special reserve represents reserve arising from the Company's capital reorganisation in 2002.

(b) **Company**

	Notes	Share premium account HK$'million	Contributed surplus HK$'million	Capital redemption reserve HK$'million	Retained profits HK$'million	Total HK$'million
At 1st January, 2012		1,434.2	1,741.9	0.8	140.2	3,317.1
Repurchase and cancellation of ordinary shares	36(i)	(77.0)	(3.4)	3.4	–	(77.0)
Loss for the year	12	–	–	–	(7.0)	(7.0)
Overprovision of final 2011 dividend		–	–	–	0.3	0.3
Interim 2012 dividend	13	–	–	–	(22.4)	(22.4)
Proposed final 2012 dividend	13	–	–	–	(98.1)	(98.1)
At 31st December, 2012 and 1st January, 2013		1,357.2	1,738.5	4.2	13.0	3,112.9
Profit for the year	12	–	–	–	495.5	495.5
Interim 2013 dividend	13	–	–	–	(24.5)	(24.5)
Proposed final 2013 dividend	13	–	–	–	(103.7)	(103.7)
At 31st December, 2013		1,357.2	1,738.5	4.2	380.3	3,480.2

The contributed surplus represents reserves arising from (i) a group reorganisation in 1993 in preparation for a separate listing of the Company's shares, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net asset value of the subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2002.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

38. BUSINESS COMBINATIONS

(a) On 16th September, 2013, certain subsidiaries of the Group served notices of conversion in respect of all of their respective Cosmopolitan convertible bonds on the relevant issuers of the Cosmopolitan convertible bonds, and 10,202,916,664 ordinary shares of Cosmopolitan have been allotted and issued to the relevant holders of the Cosmopolitan convertible bonds and, as a result, the aggregate proportionate shareholdings in Cosmopolitan held by the Group increased from 39.386% to 67.512%. Accordingly, Cosmopolitan and its subsidiaries became subsidiaries of the Company on that date. As Faith Crown is a 50:50 owned joint venture between RHIHL and Cosmopolitan, Faith Crown also became a subsidiary of the Company upon Cosmopolitan becoming a subsidiary of the Company on 16th September, 2013. As a result of the business combinations, a goodwill of HK$261.0 million is recorded in the Group's consolidated statement of financial position.

The Group has elected to measure the non-controlling interests in the Cosmopolitan Group at the non-controlling interests' proportionate share of the identifiable net assets of the Cosmopolitan Group.

The aggregate fair values of the identifiable assets and liabilities of the Cosmopolitan Group and Faith Crown as at the date of the acquisitions were as follows:

	Fair value recognised on acquisitions HK$'million
Property, plant and equipment (note 15)	2.7
Properties under development (note 17)	3,560.8
Debtors, deposits and prepayments	93.4
Financial assets at fair value through profit or loss	112.3
Held-to-maturity investments	55.5
Tax recoverable	2.2
Pledged time deposits and bank balances	1.5
Time deposits	154.5
Cash and bank balances	270.6
Creditors and accruals	(75.5)
Interest bearing bank borrowings	(12.2)
Tax payable	(41.9)
Deferred tax liabilities (note 35)	(404.1)
Non-controlling interests	(374.4)
	3,345.4
Goodwill (note 25)	261.0
	3,606.4
Satisfied by:	
Investment in a joint venture	575.4
Financial assets at fair value through profit or loss	1,039.1
Debtors	1,991.9
	3,606.4

The gross contractual amount and fair value of the other debtors as at the date of acquisitions amounted to HK$0.7 million.

An analysis of the cash flows in respect of the acquisitions is as follows:

	HK$'million
Time deposits acquired	154.5
Cash and bank balances acquired	270.6
Inflow of cash and cash equivalents included in cash flows from investing activities	425.1

Since the acquisitions, the Cosmopolitan Group and Faith Crown contributed HK$9.1 million to the Group's revenue and a loss of HK$21.6 million to the consolidated profit before allocation between equity holders of the parent and non-controlling interests for the year ended 31st December, 2013.

Had the combinations taken place on 1st April, 2013, the revenue of the Group and the consolidated profit before allocation between equity holders of the parent and non-controlling interests of the Group for the year would have been HK$3,607.5 million and HK$380.8 million, respectively. It is impracticable to provide the information as if the combinations had taken place at the beginning of the year since the Cosmopolitan Group has changed its financial year end date from 31st March to 31st December pursuant to a resolution of its board of directors passed on 21st January, 2014. As the prior financial year was twelve months ended 31st March, 2013 while the current financial period was nine months ended 31st December, 2013, there is no separate readily available information for the twelve months ended 31st December, 2013 for the Cosmopolitan Group.

(b) On 20th April, 2012, RHIHL, the then listed associate of the Group, announced a share repurchase programme for the repurchase of up to 38,886,400 ordinary shares of RHIHL at a maximum repurchase price of HK$3.80 per share, which was to be operative until 21st July, 2012. Up to 7th May, 2012, an aggregate of 12,600,000 ordinary shares of RHIHL had been repurchased under the programme and, as a result, the aggregate proportionate shareholdings in RHIHL held by the Group increased from 49.3714% to 50.0005%. Accordingly, RHIHL and its subsidiaries became subsidiaries of the Company on that date. As P&R Holdings and Hang Fok were 50:50 owned jointly controlled entity and associate, respectively, between the Company and RHIHL, P&R Holdings and its subsidiaries (the "P&R Holdings Group"), and Hang Fok together with its subsidiary (the "Hang Fok Group") also became subsidiaries of the Company upon RHIHL becoming a subsidiary of the Company on 7th May, 2012. As a result of the business combinations, a net fair value loss on remeasurement of investments in a listed associate and an unlisted joint venture of HK$4,355.0 million and a gain on bargain purchase of a listed subsidiary of HK$6,473.4 million were recorded in the Group's consolidated statement of profit or loss. The gain on bargain purchase was resulted from the lower market value of the ordinary shares of RHIHL as compared to the fair values of the net identifiable assets of the RHIHL Group.

The Group had elected to measure the non-controlling interests in the RHIHL Group and the P&R Holdings Group at the non-controlling interests' proportionate share of the identifiable net assets of the RHIHL Group and the P&R Holdings Group, respectively.

The aggregate fair values of the identifiable assets and liabilities of the RHIHL Group, the P&R Holdings Group and the Hang Fok Group as at the date of the deemed acquisitions were as follows:

	Fair value recognised on deemed acquisitions HK$'million
Property, plant and equipment (note 15)	20,286.4
Investment properties (note 16)	887.0
Investment in a joint venture	357.5
Investments in associates	318.3
Available-for-sale investments	26.6
Financial assets at fair value through profit or loss	784.6
Loans receivable	32.6
Trademark (note 24)	610.2
Properties under development (note 17)	1,129.9
Properties held for sale	1,791.5
Inventories	25.9
Debtors, deposits and prepayments	325.6
Held-to-maturity investments	94.9
Restricted cash	52.1
Pledged time deposits and bank balances	424.8
Time deposits	89.3
Cash and bank balances	552.5
Creditors and accruals	(1,266.4)
Deposits received	(37.8)
Interest bearing bank borrowings	(5,401.2)
Tax payable	(20.8)
Deferred tax liabilities (note 35)	(2,334.0)
Non-controlling interests	(9,707.3)
	9,022.2
Gain on bargain purchase	(6,473.4)
	2,548.8
Satisfied by:	
Investment in a former joint venture	934.0
Investments in associates	1,614.8
	2,548.8

The fair values of the trade debtors, other debtors and loans receivable as at the date of deemed acquisitions amounted to HK$130.3 million, HK$83.5 million and HK$32.6 million, respectively. The gross contractual amounts of the trade debtors, other debtors and loans receivable were HK$131.6 million, HK$83.5 million and HK$32.6 million, respectively, of which trade debtors of HK$1.3 million were expected to be uncollectible.

An analysis of the cash flows in respect of the deemed acquisitions was as follows:

	HK$'million
Time deposits acquired	89.3
Cash and bank balances acquired	552.5
Inflow of cash and cash equivalents included in cash flows from investing activities	641.8

Since the deemed acquisitions, the RHIHL Group, the P&R Holdings Group and the Hang Fok Group contributed HK$1,640.6 million to the Group's revenue and HK$287.2 million to the consolidated profit before allocation between equity holders of the parent and non-controlling interests for the year ended 31st December, 2012.

Had the combinations taken place at the beginning of the prior year, the revenue of the Group and the consolidated profit before allocation between equity holders of the parent and non-controlling interests of the Group for the year ended 31st December, 2012 would have been HK$2,393.6 million and HK$2,530.7 million, respectively.

39. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2013 **HK$'million**	**2012** **HK$'million**
Unlisted shares, at cost	**209.0**	209.0
Amount due from a subsidiary	**3,488.4**	3,115.4
	3,697.4	3,324.4

The amount due from a subsidiary is unsecured, interest-free and not repayable within one year. In the opinion of the Directors, this amount is considered as a quasi-equity investment in the subsidiary.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
303 Technology Limited	Hong Kong	HK$2	100	100	Security systems and software design, development and distribution
Advance Fame Investments Limited	Hong Kong	HK$1	79.1	75.6	Property development
Bajan Company Limited	Hong Kong	HK$2	100	100	Securities investment
Chatwin Engineering Limited	Hong Kong	HK$16,800,000	100	100	Building construction
Cheer Faith Limited	Hong Kong	HK$2	100	100	Financing
Cosmos Best Development Limited	Hong Kong	HK$2	100	100	Management services
Cosmos Gain Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Eminent Gold Investments Limited	Hong Kong	HK$1	79.1	75.6	Property development
Everlane Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Farich Investment Limited	Hong Kong	HK$2	100	100	Investment holding
Fine Cosmos Development Limited	Hong Kong	HK$2	79.1	75.6	Property development
Finso Limited	Hong Kong	HK$2	100	100	Investment holding

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Fountain Sky Limited(iv)	Hong Kong	HK$2	79.1	51.3	Securities investment
Gain World Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Glaser Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Glorymark Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Grand Equity Limited	British Virgin Islands	US$1	100	100	Investment holding
Great Select Holdings Limited(iv)	British Virgin Islands	US$1	79.1	100	Securities investment
Guo Yui Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
H.P. Nominees Limited	Hong Kong	HK$2	100	100	Investment holding, securities investment and nominee services
Hang Fok Properties Limited	British Virgin Islands	US$100	79.1	75.6	Investment holding
Hilmark Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Jumbo Pearl Investments Limited(iv)	British Virgin Islands	US$1	79.1	100	Securities investment
Land Crown International Limited	Hong Kong	HK$1	79.1	–	Property development
Lead Fortune Development Limited	Hong Kong	HK$2	79.1	–	Property development and investment

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Leading Lighting Technology Limited	Hong Kong	HK$1	100	100	Lighting technology services
Leading Technology Holdings Limited	British Virgin Islands	US$100	100	100	Investment holding
Lendas Investments Limited(iv)	British Virgin Islands	US$1	79.1	100	Securities investment
Linkprofit Limited	Hong Kong	HK$1,000	100	100	Investment holding
P&R Finance Limited	Hong Kong	HK$1	79.1	–	Financing
P&R Holdings Limited	British Virgin Islands	US$100	79.1	75.6	Investment holding
P&R Strategic Limited	British Virgin Islands	US$1	79.1	–	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK$10	100	100	Investment holding
Paliburg Building Services Limited	Hong Kong	HK$2	100	100	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK$100,000	100	100	Development consultants
Paliburg Development Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg Estate Agents Limited	Hong Kong	HK$20	100	100	Estate agent

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Paliburg Estate Management Limited	Hong Kong	HK$20	100	100	Estate management
Paliburg Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg Investments Limited	Hong Kong	HK$526,506,860	100	100	Investment holding
Paliburg Property Development (Shanghai) Co., Ltd.(i)	PRC/ Mainland China	US$10,000,000	100	100	Property development and investment
Prosper Harvest Investments Limited(iv)	British Virgin Islands	US$1	79.1	51.3	Investment holding
Real Charm Investment Limited	Hong Kong	HK$2	79.1	75.6	Property development
Rich Pearl Limited	Hong Kong	HK$10,000	100	100	Financing
Sanefix Development Limited	Hong Kong	HK$2	100	100	Property investment
Shenzhen Leading Technology Co., Ltd.(i)	PRC/ Mainland China	RMB20,000,000	100	100	Security systems and software design, development and distribution
Sun Joyous Investments Limited(iv)	British Virgin Islands	US$1	79.1	100	Securities investment
Taylor Investments Ltd.	British Virgin Islands	US$1	100	100	Investment holding
Time Crest Investments Limited(iv)	British Virgin Islands	US$1	79.1	51.3	Securities investment
Transcar Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Tristan Limited	Hong Kong	HK$20	79.1	75.6	Property development

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Valuegood International Limited(iv)	British Virgin Islands	US$1	79.1	51.3	Securities investment
Well Mount Investments Limited(iv)	British Virgin Islands	US$1	79.1	51.3	Securities investment
Wiggans Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Winart Investments Limited(iv)	British Virgin Islands	US$1	79.1	100	Securities investment
Winrise Investment Limited	Hong Kong	HK$2	100	100	Securities investment
Wise Decade Investments Limited	Hong Kong	HK$1	79.1	75.6	Property development
Yield Star Limited	British Virgin Islands	US$1	100	100	Investment holding
Yieldtop Holdings Limited	British Virgin Islands	US$100	79.1	75.6	Investment holding
昆明中美二戰友誼公園文化傳播有限公司(ii)	PRC/ Mainland China	RMB5,000,000	87	87	Project management
成都富譽實業有限公司(iii)	PRC/ Mainland China	RMB250,000,000	79.1	75.6	Investment holding
Cosmopolitan International Holdings Limited(vi)	Cayman Islands/ Hong Kong	Ordinary - HK$4,397,610	53.4	–	Investment holding
Apex Team Limited(vii)	Hong Kong	HK$1	53.4	–	Financing
Cosmopolitan International Finance Limited(vii)	Hong Kong	HK$1	53.4	–	Financial assets investment
Cosmopolitan International Management Services Limited(vii)	Hong Kong	HK$1	53.4	–	Provision of management services

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Evercharm Investments Limited(vii)	British Virgin Islands	US$1	53.4	–	Financial assets investment
Fancy Gold Limited(vii)	Hong Kong	HK$1	53.4	–	Financing
新疆麗寶生態開發有限公司(i), (vii)	PRC/ Mainland China	US$6,800,000	53.4	–	Property development
成都富博房地產開發有限公司(i), (v), (vii)	PRC/ Mainland China	HK$175,000,000	53.4	60.6	Property development
天津市富都房地產開發有限公司(i), (v), (vii)	PRC/ Mainland China	RMB1,100,000,000	53.4	51.3	Property development
置富投資開發(成都)有限公司(i), (v), (vii)	PRC/ Mainland China	HK$336,000,960	53.4	60.6	Property development
Regal Hotels International Holdings Limited	Bermuda/ Hong Kong	Ordinary - HK$94,397,833	58.2	51.3	Investment holding
8D Travel (Shanghai) Ltd(i)	PRC/ Mainland China	US$375,000	58.2	51.3	Travel agency
Aim Success Investments Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Best Time Enterprises Limited	Hong Kong	HK$2	58.2	51.3	Lessee of offices
Big Result Investments Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Camomile Investments Limited	Hong Kong	HK$2	58.2	51.3	Property investment
Chest Gain Development Limited	Hong Kong	HK$10,000	58.2	51.3	Property development and investment, and investment holding
Come On Investment Company Limited	Hong Kong	HK$10,000	58.2	51.3	Securities trading and investment

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Complete Success Investments Limited	British Virgin Islands	US$1	58.2	51.3	Investment holding
Cranfield Investments Limited	Hong Kong	HK$2	58.2	51.3	Financing
Favour Link International Limited	Hong Kong	HK$1	58.2	51.3	Hotel operations
Favourite Stock Limited	British Virgin Islands	US$1	58.2	51.3	Securities investment
Flexi Sky Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Fortune Nice Investment Limited	Hong Kong	HK$2	58.2	51.3	Financing
Fortune Trove Limited	Hong Kong	HK$1	58.2	–	Property investment
Gaud Limited	Hong Kong	HK$2	58.2	51.3	Securities trading and investment
Golden Vessel Investments Limited	Hong Kong	HK$1	58.2	–	Property investment
Grand Pyramid Limited	Hong Kong	HK$1	58.2	–	Property investment
Great Prestige Investments Limited	British Virgin Islands	US$1	58.2	51.3	Investment holding
Greatlead Investments Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Harvest Charm Investment Limited	Hong Kong	HK$2	58.2	51.3	Financing
Harvest Crown International Invest Limited	British Virgin Islands	US$1	58.2	51.3	Property investment

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Honormate Nominees Limited	Hong Kong	HK$2	58.2	51.3	Securities investment and nominee services
Honrich Investment Limited	Hong Kong	HK$2	58.2	51.3	Financing
Kaybro Investments Limited	British Virgin Islands	US$1	58.2	51.3	Investment holding
Maximum Good Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Million Sharp International Limited	Hong Kong	HK$1	58.2	51.3	Property investment
New Surplus Investments Limited	Hong Kong	HK$1	58.2	51.3	Property investment
PBL0781 Limited	Gibraltar	GBP2,000	58.2	51.3	Aircraft ownership and leasing
PBL1017 Limited	Gibraltar	GBP2,000	49.4	–	Aircraft ownership and leasing
Regal Contracting Agency Limited	Hong Kong	HK$1	58.2	51.3	Contracting agency
Regal Estate Agents Limited	Hong Kong	HK$2	58.2	51.3	Estate agency
Regal Estate Management Limited	Hong Kong	HK$2	58.2	51.3	Estate management
Regal Hotels (Holdings) Limited	Hong Kong	HK$1,151,598,638	58.2	51.3	Investment holding and management services

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Regal Hotels International Limited	Hong Kong	HK$100,000	58.2	51.3	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US$1	58.2	51.3	Investment holding and hotel management
Regal International Limited	British Virgin Islands	US$20	58.2	51.3	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK$10.1	58.2	51.3	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK$11,611,937	58.2	51.3	Asset management
Regal Quality Foods Limited	Hong Kong	HK$2	58.2	51.3	Sale of food products
RH International Finance Limited	British Virgin Islands/ Hong Kong	US$1	58.2	51.3	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	58.2	51.3	Trademark holding
Solution Key Investments Limited	Hong Kong	HK$1	58.2	–	Property investment
Speedy Track Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Success Path Investments Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Tenshine Limited	Hong Kong	HK$2	58.2	51.3	Securities trading and investment and financing

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2013	2012	Principal activities
Unicorn Star Limited	British Virgin Islands	US$1	58.2	51.3	Securities investment
Vast Charm International Limited	Hong Kong	HK$1	58.2	51.3	Property investment
Will Smart Investments Limited	Hong Kong	HK$1	58.2	51.3	Property investment
廣州市富堡訂房服務有限公司[i]	PRC/ Mainland China	RMB100,000	58.2	51.3	Room reservation services
富豪酒店投資管理(上海)有限公司[i]	PRC/ Mainland China	US$140,000	58.2	51.3	Hotel management
Regal Real Estate Investment Trust	Hong Kong	3,257,431,189 units	43.4	38.3	Property investment
Bauhinia Hotels Limited	Hong Kong	HK$2	43.4	38.3	Hotel ownership
Cityability Limited	Hong Kong	HK$10,000	43.4	38.3	Hotel ownership
Gala Hotels Limited	Hong Kong	HK$2	43.4	38.3	Hotel ownership
Regal Asset Holdings Limited	Bermuda/ Hong Kong	US$12,000	43.4	38.3	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK$2	43.4	38.3	Hotel ownership
Rich Day Investments Limited	Hong Kong	HK$1	43.4	38.3	Financing
Ricobem Limited	Hong Kong	HK$100,000	43.4	38.3	Hotel ownership
Sonnix Limited	Hong Kong	HK$2	43.4	38.3	Property ownership and hotel operations

Notes:

(i) These subsidiaries are registered as wholly foreign owned enterprises under PRC law.

(ii) This subsidiary is registered as a domestic enterprise under PRC law.

(iii) This subsidiary is registered as a foreign owned enterprise under PRC law.

(iv) These companies were subsidiaries of the Company or RHIHL and were disposed to P&R Holdings during the year.

(v) These companies were subsidiaries of P&R Holdings or RHIHL and were disposed to the Cosmopolitan Group during the year.

(vi) Cosmopolitan became a subsidiary of P&R Holdings upon the business combination as detailed in note 38(a) to the financial statements during the year.

(vii) These are subsidiaries of Cosmopolitan which became subsidiaries of P&R Holdings upon the business combination as detailed in note 38(a) to the financial statements during the year.

Except for Paliburg Development BVI Holdings Limited and Paliburg Property Development (Shanghai) Co., Ltd., all of the above subsidiaries are indirectly held by the Company.

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

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2013	2012
Percentage of equity interest held by non-controlling interests of RHIHL	**41.8%**	48.7%

	2013 HK$'million	2012 HK$'million
Profit for the year allocated to non-controlling interests of the RHIHL Group	**132.9**	83.2
Dividends paid to non-controlling interests of the RHIHL Group	**181.3**	163.9
Accumulated balances of non-controlling interests of the RHIHL Group at the reporting date	**8,053.1**	9,229.9

The following tables illustrate the summarised financial information of the RHIHL Group. The amounts disclosed are before any intra-group eliminations:

	2013 HK$'million	2012 HK$'million
Revenue	**3,570.0**	1,640.6
Profit for the year	**258.0**	136.7
Total comprehensive income for the year	**266.0**	141.4
Non-current assets	**24,124.4**	20,937.5
Current assets	**5,359.8**	6,050.4
Current liabilities	**(767.5)**	(507.6)
Non-current liabilities	**(11,317.2)**	(9,012.5)
Net cash flows from/(used in) operating activities	**(1,647.0)**	167.2
Net cash flows used in investing activities	**(1,331.6)**	(68.2)
Net cash flows from financing activities	**1,913.7**	1,691.4
Net increase/(decrease) in cash and cash equivalents	**(1,064.9)**	1,790.4

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK$579.5 million (2012 - HK$581.1 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

(b) Deregistration of subsidiaries

	2013 HK$'million	2012 HK$'million
Non-controlling interests disposed of/Gain on deregistration of subsidiaries	–	(0.6)

(c) Disposal of subsidiaries

	2013 HK$'million	2012 HK$'million
Net assets disposed of:		
Property, plant and equipment (note 15)	**1,039.3**	–
Properties under development (note 17)	**828.0**	–
Debtors, deposits and prepayments	**2.0**	–
Cash and bank balances	**23.9**	–
Due to a joint venture	**(74.0)**	–
Creditors and accruals	**(60.3)**	–
Deferred tax liabilities (note 35)	**(334.9)**	–
Non-controlling interests	**(151.7)**	–
	1,272.3	–
Gain on disposal of subsidiaries	**279.2**	–
Release of exchange equalisation reserve	**(13.7)**	–
	1,537.8	–
Satisfied by:		
Debtor	**889.7**	–
Amount due to a former joint venture	**648.1**	–
	1,537.8	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 HK$'million	2012 HK$'million
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**23.9**	–

(d) Major non-cash transaction

During the year, the Group acquired certain investment properties from the Cosmopolitan Group at a consideration of HK$88.0 million, which was settled by way of set off against the Group's receivable from the Cosmopolitan Group in respect of the disposal of properties under development in Tianjin City, the PRC.

41. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2013 HK$'million	2012 HK$'million
The listed ultimate holding company:			
Management fees	(i)	**37.0**	26.0
Former joint ventures:			
Gross construction fee income	(ii)	–	1.5
Gross development consultancy fee income	(iii)	–	10.4
The former listed associate:			
Gross construction fee income	(iv)	–	4.4
Gross development consultancy fee income	(v)	–	1.8
Gross income in respect of security systems and products and other software	(vi)	–	0.6
An associate:			
Advertising and promotion fees (including cost reimbursements)	(vii)	**10.0**	6.4

Notes:

(i) The management costs included rentals and other overheads allocated from CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, RHIHL and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the three groups.

(ii) The construction fee income was received from the P&R Holdings Group for providing construction works for the property development projects. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(iii) The gross development consultancy fee income was received from the P&R Holdings Group for advisory, supervisory, architectural and design services provided in connection with the construction works for the property development projects. The fees were charged at agreed rates of the estimated cost of individual projects.

(iv) The construction fee income was received from the RHIHL Group for providing repairs and maintenance and construction works for the hotels operated by the RHIHL Group. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(v) The gross development consultancy fee income was charged to the RHIHL Group for advisory, supervisory, architectural and design services provided in connection with the room extension and other renovation projects of the hotels operated by the RHIHL Group. The fees were charged at agreed rates of the estimated cost of individual projects.

(vi) The fees were received from the RHIHL Group for the purchases and maintenance services of the security systems and products and other software installed in the hotels operated by the RHIHL Group. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.

(vii) The advertising and promotion fees paid to an associate comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the RHIHL Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

(b) Outstanding balances with related parties:

	Notes	2013 HK$'million	2012 HK$'million
Due from associates	(i)	**28.9**	12.1
Due from a fellow subsidiary	(ii)	**0.9**	1.5
Due from a related company	(ii)	**1.3**	1.3
Due to fellow subsidiaries	(iii)	**(5.8)**	(3.0)
Due to an associate	(iii)	**(3.0)**	(2.0)
Due to a former joint venture	(iv)	**–**	(795.5)
Loan to a former joint venture	(v)	**–**	14.4

Notes:

(i) Except for an amount of HK$0.1 million included in debtors, deposits and prepayments as at 31st December, 2012 in note 28 to the financial statements, the balance is included in investments in associates in note 19 to the financial statements.

(ii) The amounts are included in debtors, deposits and prepayments in note 28 to the financial statements.

(iii) The amounts are included in creditors and accruals in note 30 to the financial statements.

(iv) Except for an amount of HK$147.4 million included in investment in a joint venture as at 31st December, 2012 in note 18 to the financial statements, the balance was included in creditors and accruals in note 30 to the financial statements.

(v) Details of the loan to a former joint venture as at 31st December, 2012 are included in note 18 to the financial statements.

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

	2013 HK$'million	2012 HK$'million
Short term employee benefits	**34.5**	25.2
Staff retirement scheme contributions	**2.2**	1.5
Total compensation paid to key management personnel	**36.7**	26.7

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

The related party transaction set out in note 41(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.33(2) of the Listing Rules.

The related party transactions set out in notes 41(a)(ii) to (vi) above did not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company.

The related party transaction set out in notes 41(a)(vii) above also constituted a continuing connected transaction to the Company, but is exempted from the Relevant Requirements pursuant to rule 14A.33(3)(a) of the Listing Rules.

42. PLEDGE OF ASSETS

As at 31st December, 2013, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK$14,529.3 million (2012 - HK$20,153.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$428.5 million (2012 - HK$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2013, certain ordinary shares in a listed subsidiary with a market value of HK$460.0 million (2012 - HK$338.8 million) were also pledged to secure general banking facilities granted to the Group.

43. CONTINGENT LIABILITIES

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

	GROUP		COMPANY	
	2013 HK$'million	**2012 HK$'million**	**2013 HK$'million**	**2012 HK$'million**
Corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries	**–**	–	**1,324.0**	627.3

As at 31st December, 2013, the banking facilities granted to subsidiaries subject to guarantees given by the Company were utilised to the extent of HK$907.0 million (2012 - HK$317.3 million).

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 6 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

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

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Within one year	**79.1**	32.9
In the second to fifth years, inclusive	**175.1**	20.9
After five years	**4.9**	–
	259.1	53.8

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 12 years. Lease for office equipment in respect of the Group is negotiated for terms from 1 to 5 years.

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

	GROUP	
	2013 **HK$'million**	**2012** **HK$'million**
Land and buildings:		
Within one year	**16.0**	12.1
In the second to fifth years, inclusive	**36.6**	28.2
After five years	**23.1**	25.6
	75.7	65.9
Other equipment:		
Within one year	**0.3**	0.3
In the second to fifth years, inclusive	**0.2**	0.4
	0.5	0.7
	76.2	66.6

At the end of the reporting period, the Company had no outstanding operating lease commitments.

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) above, the Group had the following outstanding commitments at the end of the reporting period:

	GROUP	
	2013 HK$'million	**2012 HK$'million**
Authorised, but not contracted for:		
Property development projects	**2,353.7**	572.3
Hotel buildings	**37.6**	40.0
	2,391.3	612.3
Contracted, but not provided for:		
Property development projects	**1,011.7**	1,474.2
	3,403.0	2,086.5

At the end of the reporting period, the Company had no significant commitments.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss					
	- designated as such upon initial recognition HK$'million	- held for trading HK$'million	Available-for-sale investments HK$'million	Loans and receivables HK$'million	Held-to-maturity investments HK$'million	Total HK$'million
Available-for-sale investments (note 20)	–	–	18.3	–	–	18.3
Financial assets at fair value through profit or loss (note 21)	11.7	752.9	–	–	–	764.6
Held-to-maturity investments (note 22)	–	–	–	–	229.3	229.3
Derivative financial instruments (note 34)	–	22.0	–	–	–	22.0
Loans receivable (note 23)	–	–	–	15.1	–	15.1
Trade debtors (note 28)	–	–	–	130.2	–	130.2
Other financial assets included in debtors, deposits and prepayments	–	–	–	275.5	–	275.5
Restricted cash	–	–	–	51.9	–	51.9
Pledged time deposits and bank balances	–	–	–	433.2	–	433.2
Time deposits	–	–	–	1,143.9	–	1,143.9
Cash and bank balances	–	–	–	1,241.4	–	1,241.4
	11.7	774.9	18.3	3,291.2	229.3	4,325.4

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as hedging instruments HK$'million	Financial liabilities at amortised cost HK$'million	Total HK$'million
Trade creditors (note 30)	–	85.0	85.0
Other financial liabilities included in creditors and accruals	–	373.9	373.9
Deposits received	–	20.3	20.3
Derivative financial instruments (note 34)	4.1	–	4.1
Interest bearing bank borrowings (note 32)	–	7,223.8	7,223.8
Other borrowings (note 33)	–	4,200.5	4,200.5
	4.1	11,903.5	11,907.6

2012 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss					
	- designated as such upon initial recognition HK$'million	- held for trading HK$'million	Available-for-sale investments HK$'million	Loans and receivables HK$'million	Held-to-maturity investments HK$'million	Total HK$'million
Available-for-sale investments (note 20)	–	–	9.5	–	–	9.5
Financial assets at fair value through profit or loss (note 21)	720.2	529.7	–	–	–	1,249.9
Held-to-maturity investments (note 22)	–	–	–	–	210.8	210.8
Loans receivable (note 23)	–	–	–	22.0	–	22.0
Trade debtors (note 28)	–	–	–	151.2	–	151.2
Other financial assets included in debtors, deposits and prepayments	–	–	–	754.1	–	754.1
Restricted cash	–	–	–	44.2	–	44.2
Pledged time deposits and bank balances	–	–	–	321.9	–	321.9
Time deposits	–	–	–	2,727.2	–	2,727.2
Cash and bank balances	–	–	–	1,366.1	–	1,366.1
	720.2	529.7	9.5	5,386.7	210.8	6,856.9

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	- held for trading HK$'million	- designated as hedging instruments HK$'million	Financial liabilities at amortised cost HK$'million	Total HK$'million
Due to a joint venture (note 18)	–	–	147.4	147.4
Trade creditors (note 30)	–	–	84.6	84.6
Other financial liabilities included in creditors and accruals	–	–	947.1	947.1
Deposits received	–	–	35.9	35.9
Derivative financial instruments (note 34)	2.1	2.8	–	4.9
Interest bearing bank borrowings (note 32)	–	–	5,485.8	5,485.8
Other borrowings (note 33)	–	–	2,293.8	2,293.8
	2.1	2.8	8,994.6	8,999.5

COMPANY

Financial liabilities	2013 Financial liabilities at amortised cost HK$'million	2012 Financial liabilities at amortised cost HK$'million
Creditors and accruals	**2.6**	2.4

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated to their fair values at the end of the reporting period.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 31st December, 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Available-for-sale investments:				
Unlisted equity investments	–	–	18.3	18.3
Financial assets at fair value through profit or loss:				
Listed equity investments	631.1	–	–	631.1
Listed debt investments	–	121.8	–	121.8
Structured deposits	–	11.7	–	11.7
Derivative financial instruments	–	22.0	–	22.0
	631.1	155.5	18.3	804.9

Assets measured at fair value as at 31st December, 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Available-for-sale investments:				
Unlisted equity investments	–	–	9.5	9.5
Financial assets at fair value through profit or loss:				
Listed equity investments	507.0	–	–	507.0
Unlisted equity investments	–	89.7	–	89.7
Listed debt investments	–	97.5	–	97.5
Unlisted debt investments	–	555.7	–	555.7
	507.0	742.9	9.5	1,259.4

The movements in fair value measurements in Level 3 during the year are as follows:

	2013 HK$'million	2012 HK$'million
Available-for-sale investments – unlisted:		
At 1st January	**9.5**	3.6
Deemed acquisition of subsidiaries	**–**	3.6
Purchases	**8.8**	2.3
At 31st December	**18.3**	9.5

Liabilities measured at fair value as at 31st December, 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Derivative financial instruments	**–**	**4.1**	**–**	**4.1**

Liabilities measured at fair value as at 31st December, 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Derivative financial instruments	–	4.9	–	4.9

The Company did not have any financial assets or financial liabilities measured at fair value as at 31st December, 2013 and 2012.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012 - Nil).

Valuation techniques

The fair values of listed equity investments are based on quoted market prices.

The unlisted equity investments are carried at the net asset values provided by financial institutions or related administrators or valued by a financial institution based on the quoted market price of the underlying listed security.

The fair values of the derivative financial instruments, including interest rate swaps and foreign currency option contracts, are determined based on discounted cash flow models or market values provided by financial institutions.

The fair values of listed debt investments and structured deposits are determined based on market values provided by financial institutions.

The fair values of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques, including discounted cash flows and binomial option pricing models, based on the quoted market price of the underlying listed security.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings, other borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's long-term borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 32 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rate.

The Group has put in place interest rate swap arrangements to limit the variability in cash flows attributable to changes in interest rates of certain borrowings. This involves fixing portions of interest payable on its underlying borrowings through derivative instruments. Details of interest rate swaps are set out in note 34 to the financial statements. These swaps are designated to hedge underlying borrowing obligations.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings and interest rate swap contracts outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have decreased the Group's profit before tax for the current year by HK$25.1 million (2012 - HK$19.1 million) and finance costs capitalised by HK$16.1 million (2012 - HK$6.3 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK$2.5 million (2012 - HK$1.9 million) and finance costs capitalised by HK$1.6 million (2012 - HK$0.6 million).

For interest rate swap contracts, a 100 basis point increase in interest rates would have increased the Group's equity as at 31st December, 2013 by HK$31.5 million (2012 - HK$61.9 million) as a result of fair value changes on derivative financial instruments. A 10 basis point decrease in interest rates would have decreased the Group's equity at 31st December, 2013 by HK$4.6 million (2012 - HK$6.3 million).

The sensitivity to the interest rate used above is considered reasonable with the other variables held constant. The sensitivity for interest rate swap contracts is based on the assumption that there are parallel shifts in the yield curve.

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated statement of financial position. The Group only grants credit after making credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash, bank balances and deposits, financial assets at fair value through profit or loss, available-for-sale investments, held-to-maturity investments, loans receivable, and other financial assets included in debtors, deposits and prepayments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade debtors are widely dispersed in different sectors and industries (except for sales proceeds receivable from the disposal of properties/properties under development).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 28 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

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

GROUP

	2013		
	Within 1 year or on demand HK$'million	**1 to 5 years HK$'million**	**Total HK$'million**
Trade creditors	**85.0**	**–**	**85.0**
Other financial liabilities included in creditors and accruals	**367.7**	**6.2**	**373.9**
Deposits received	**20.3**	**–**	**20.3**
Derivative financial instruments	**3.5**	**0.6**	**4.1**
Interest bearing bank borrowings	**1,763.5**	**6,258.1**	**8,021.6**
Other borrowings	**158.0**	**4,799.8**	**4,957.8**
	2,398.0	**11,064.7**	**13,462.7**

	2012		
	Within 1 year or on demand HK$'million	**1 to 5 years HK$'million**	**Total HK$'million**
Due to a joint venture	–	147.4	147.4
Trade creditors	84.6	–	84.6
Other financial liabilities included in creditors and accruals	499.0	448.1	947.1
Deposits received	33.4	2.5	35.9
Derivative financial instruments	2.1	2.8	4.9
Interest bearing bank borrowings	223.3	5,623.1	5,846.4
Other borrowing	79.0	2,721.0	2,800.0
	921.4	8,944.9	9,866.3

	COMPANY	
	2013 Within 1 year or on demand HK$'million	**2012 Within 1 year or on demand HK$'million**
Creditors and accruals	**2.6**	2.4
Corporate guarantees provided in respect of attributable share of outstanding banking facilities granted to subsidiaries	**1,324.0**	627.3
	1,326.6	629.7

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed and unlisted equity investments and unlisted debt investments in convertible bonds classified as financial assets at fair value through profit or loss (note 21) and unlisted equity investments classified as available-for-sale investments (note 20) as at 31st December, 2013.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed securities of the unlisted investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of investments HK$'million	Change in profit before tax HK$'million	Change in equity* HK$'million
2013			
Listed investments:			
– At fair value through profit or loss	**631.1**	**31.6**	**–**
Unlisted investments:			
– Available-for-sale	**18.3**	**–**	**0.9**
2012			
Listed investments:			
– At fair value through profit or loss	507.0	25.4	–
Unlisted investments:			
– Available-for-sale	9.5	–	0.5
– At fair value through profit or loss	645.4	25.1	–

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the obligation under the lease guarantees given by RHIHL in connection with the leasing of certain hotel properties from Regal REIT and the undertakings under corporate guarantees given by the Company for banking facilities granted to certain subsidiaries, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2013 and 31st December, 2012.

The Group monitors capital using a debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings and other borrowings less cash, bank balances and deposits. The debt to total assets ratios as at the end of the reporting periods were as follows:

Group

	2013 **HK$'million**	**2012** **HK$'million**
Interest bearing bank borrowings and other borrowings	**11,424.3**	7,779.6
Less: Cash, bank balances and deposits	**(2,870.4)**	(4,459.4)
Net debt	**8,553.9**	3,320.2
Total assets	**34,993.4**	31,745.1
Debt to total assets ratio	**24.4%**	10.5%

49. EVENTS AFTER THE REPORTING PERIOD

(i) On 10th February, 2014, Regal REIT completed the acquisition of the Sheung Wan Hotel (the "iclub Sheung Wan Hotel") at a final total consideration of approximately HK$1,581.1 million, comprising the purchase price of HK$1,580.0 million and a current asset adjustment of HK$1.1 million (the "SW Transaction").

Upon completion of the SW Transaction, the iclub Sheung Wan Hotel was leased to a wholly owned subsidiary of the RHIHL Group for use in hotel operations for the period from 10th February, 2014 to 31st December, 2019 under a new lease agreement, which is extendable at the option of Regal REIT for a further 5 years. The hotel manager of the Initial Hotels and Regal iClub Hotel, which is also a wholly owned subsidiary of the RHIHL Group, was also appointed as the new hotel manager for the operation of the iclub Sheung Wan Hotel under a 10-year hotel management agreement commencing on 10th February, 2014.

Concurrently, a new 5-year loan facilities with an aggregate principal amount of HK$790.0 million (the "2014 New Facilities") comprising (a) a term loan facility of up to HK$632.0 million; and (b) a revolving loan facility of up to HK$158.0 million was granted by a bank under a facility agreement entered into by Tristan Limited (the direct holding company of the iclub Sheung Wan Hotel which became a wholly owned subsidiary of Regal REIT upon completion of the SW Transaction). The 2014 New Facilities bear HIBOR-based interest.

(ii) On 26th February, 2014, the Cosmopolitan Group entered into a Co-operation Agreement with an independent third party in respect of the investment in an investee company involved in a resettlement housing project in Tongzhou, Beijing, the PRC (the "Tongzhou Project").

Under the above Co-operation Agreement for the Tongzhou Project, the investee company will be 82.5% owned by the Cosmopolitan Group and the remaining 17.5% by that third party and the aggregate capital commitments of the Cosmopolitan Group will amount to RMB297,000,000. The capital contribution by the Cosmopolitan Group is subject to certain prescribed conditions under the Co-operation Agreement.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31st March, 2014.

Independent Auditors' Report

EY 安永

To the shareholders of Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 169, which comprise the consolidated and company statements of financial position as at 31st December, 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

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 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31st March, 2014

Schedule of Principal Properties

As at 31st December, 2013

PROPERTIES FOR DEVELOPMENT AND/OR SALE

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1)	Certain apartment units and car and motorcycle parking spaces at Larvotto, 8 Praya Road, Ap Lei Chau, Hong Kong	Primarily residential	Site area for whole development - approx. 16,770 sq. m. (180,511 sq. ft.) Gross floor area of 8 remaining apartment units held - approx. 1,545 sq. m. (16,634 sq. ft.)	Completed in March 2011	30
(2)	Certain carparking spaces at Park Royale, Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong	Carparking spaces	–	–	100
(3)	Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Net site area - approx. 472 sq. m. (5,076 sq. ft.) Gross floor area - approx. 7,776 sq. m. (83,700 sq. ft.) (248 guestrooms and suites)	Occupation permit issued on 6th January, 2014	79.1

As at 31st December, 2013

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(4)	Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong	Hotel	Site area - approx. 345 sq. m. (3,710 sq. ft.) Gross floor area - approx. 5,236 sq. m. (56,360 sq. ft.) (98 guestrooms and suites)	Foundation works completed (expected to be completed in 2016)	79.1
(5)	Nos.14-20 Merlin Street, North Point, Hong Kong	Hotel	Site area - approx. 457 sq. m. (4,915 sq. ft.) Gross floor area - approx. 6,849 sq. m. (73,721 sq. ft.) (338 guestrooms)	Superstructure works completed	79.1
(6)	Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Site area - approx. 700 sq. m. (7,535 sq. ft.) Gross floor area - approx. 6,298 sq. m. (67,790 sq. ft.)	Foundation works in progress (expected to be completed in 2016)	79.1
(7)	Lot No. 4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area - approx. 11,192 sq. m. (120,470 sq. ft.) Gross floor area - approx. 11,192 sq. m. (120,470 sq. ft.) (36 houses and 134 apartments)	Superstructure works in progress (expected to be completed in 1st quarter of 2015)	79.1

As at 31st December, 2013

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(8)	Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, Hong Kong	Residential	Site area - approx. 17,746 sq. m. (188,100 sq. ft.) (approx. 136 units and 21 houses) Gross floor area - approx. 32,474 sq. m. (349,547 sq. ft.)	Planning works in progress	79.1
(9)	Sha Tin Town Lot No. 482 Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong	Commercial	Site area - approx. 5,090 sq. m. (54,788 sq. ft.) Gross floor area - approx. 15,270 sq. m. (164,364 sq. ft.)	Planning works in progress	79.1
(10)	Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - approx. 53,126 sq. m. (571,848 sq. ft.) Gross floor area of 12 remaining houses held - approx. 5,557 sq. m. (59,816 sq. ft.)	Completed in March 2004	58.2

As at 31st December, 2013

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(11)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.) Total gross floor area - approx. 497,000 sq. m. (5,349,700 sq. ft.) First stage • a 306-room hotel • 3 residential towers having 340 apartment units with car parks and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.)) Stage two • residential development with total gross floor area of approx. 176,516 sq. m. (1,900,000 sq. ft.) Stage three • commercial and office accommodations with total gross floor area of approx. 139,355 sq. m. (1,500,000 sq. ft.)	First stage • Expected to be completed in 2015 • Presale of the residential units anticipated to be launched in 4th quarter of 2014	53.4

As at 31st December, 2013

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(12)	Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/hotel/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,216 sq. ft.) Total gross floor area - approx. 145,000 sq. m. (1,560,800 sq. ft.)	Site formation and foundation works commenced (expected to be completed in stages before end of 2016)	53.4

As at 31st December, 2013

PROPERTIES FOR INVESTMENT

	Description	Use	Lease	Percentage of interest attributable to the Company
(1)	10 duplex residential units and 14 carparking spaces at Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong	Residential	Medium term	79.1
(2)	7 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	58.2
(3)	Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	43.4
(4)	Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	43.4
(5)	Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	43.4

As at 31st December, 2013

	Description	Use	Lease	Percentage of interest attributable to the Company
(6)	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong	Hotel	Medium term	43.4
(7)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	43.4
(8)	Regal iClub Building Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong	Hotel/ commercial	Long term	43.4

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

	Year ended 31st December,				
	2013 HK$'million	**2012 HK$'million**	**2011 HK$'million**	**2010 HK$'million**	**2009 HK$'million**
Revenue	**3,604.1**	1,722.4	436.1	120.0	162.6
Operating profit/(loss)	**751.1**	2,330.1	(561.9)	441.9	312.8
Finance costs	**(260.5)**	(121.6)	(0.9)	(0.1)	(1.5)
Share of profits and losses of:					
Joint ventures	**0.3**	(0.2)	41.4	–	–
Associates	**41.8**	170.7	2,005.9	1,709.3	119.9
Profit before tax	**532.7**	2,379.0	1,484.5	2,151.1	431.2
Income tax	**(84.9)**	(2.6)	(0.4)	(0.6)	(0.6)
Profit for the year before allocation between equity holders of the parent and non-controlling interests	**447.8**	2,376.4	1,484.1	2,150.5	430.6
Attributable to:					
Equity holders of the parent	**322.9**	2,294.3	1,484.2	2,150.5	430.6
Non-controlling interests	**124.9**	82.1	(0.1)	–	–
	447.8	2,376.4	1,484.1	2,150.5	430.6

Published Five Year Financial Summary (Cont'd)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December,				
	2013 HK$'million	**2012 HK$'million**	**2011 HK$'million**	**2010 HK$'million**	**2009 HK$'million**
Property, plant and equipment	**19,345.0**	20,269.8	1.7	1.6	1.8
Investment properties	**1,715.4**	948.3	0.2	0.5	0.4
Properties under development	**1,308.6**	370.8	–	–	–
Investment in a joint venture	**–**	251.2	940.9	–	–
Investments in associates	**27.6**	26.1	6,043.3	6,075.0	4,390.2
Available-for-sale investments	**18.3**	9.5	3.6	–	–
Financial assets at fair value through profit or loss	**–**	164.5	348.3	957.1	583.9
Loans receivable	**8.4**	21.7	3.0	3.2	5.5
Deposits and prepayments	**60.9**	2.3	–	42.6	–
Trademark	**610.2**	610.2	–	–	–
Goodwill	**261.0**	–	–	–	–
Current assets	**11,638.0**	9,070.7	1,730.8	973.4	736.5
Total assets	**34,993.4**	31,745.1	9,071.8	8,053.4	5,718.3
Current liabilities	**(2,271.4)**	(789.2)	(125.0)	(369.4)	(493.4)
Creditor and deposits received	**(13.9)**	(450.6)	–	–	–
Interest bearing bank borrowings	**(5,599.8)**	(5,404.3)	–	–	–
Other borrowings	**(4,200.5)**	(2,293.8)	–	–	–
Derivative financial instruments	**(4.1)**	(2.8)	–	–	–
Deferred tax liabilities	**(2,322.4)**	(2,286.8)	–	–	–
Total liabilities	**(14,412.1)**	(11,227.5)	(125.0)	(369.4)	(493.4)
Non-controlling interests	**(8,429.4)**	(9,384.2)	(0.9)	(0.2)	(0.2)

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