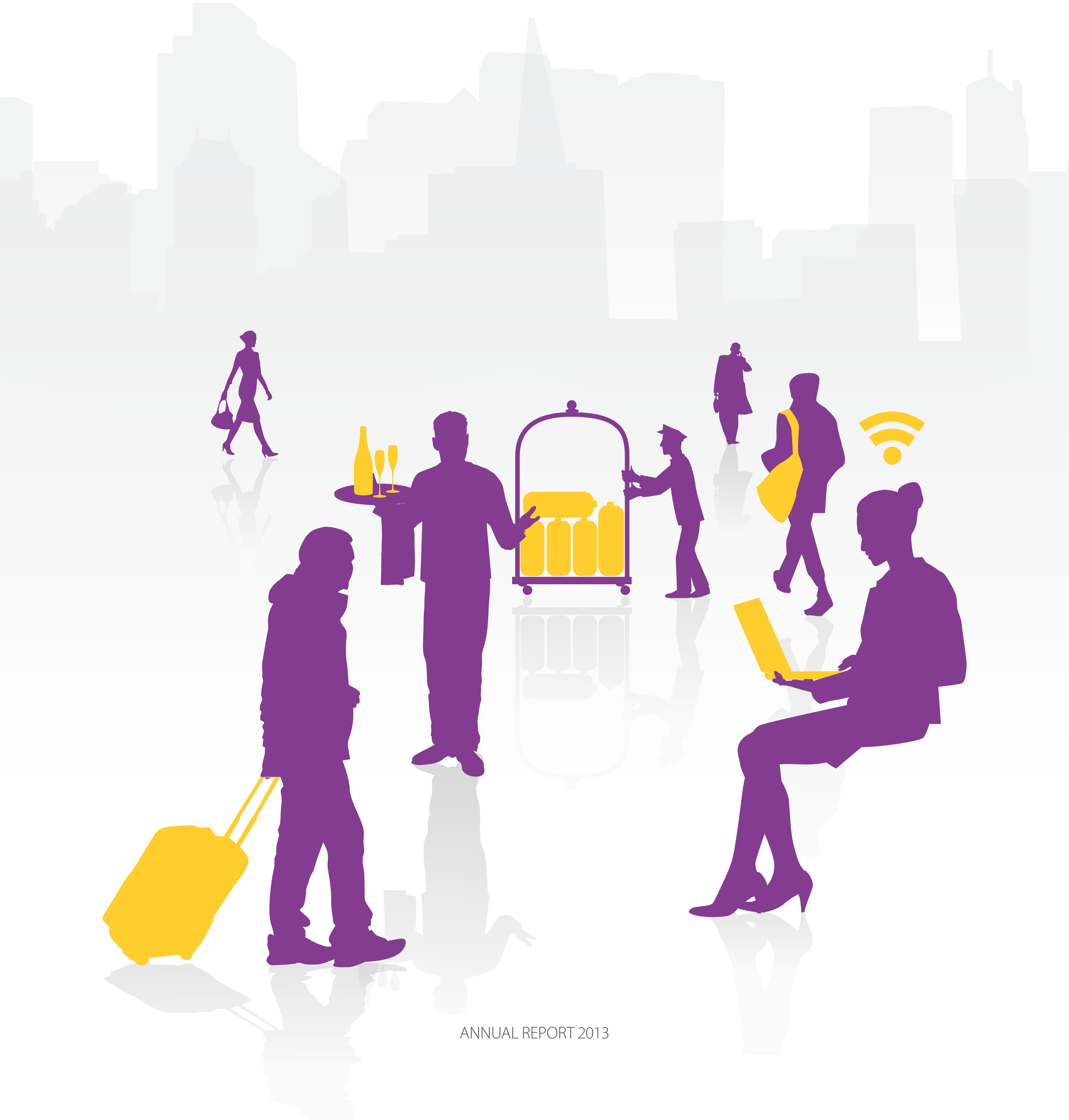
CITY E-SOLUTIONS LIMITED
(STOCK CODE: 557)



ANNUAL REPORT 2013

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Mission Statement

To invest in businesses with high growth potential so as to maximize shareholder value.

Chairman's Statement

'The Group recorded a net profit of HK$17.2 million, an increase of HK$10.1 million or 143% from the previous year, due mainly to the unrealised valuation gain from the Group's securities holdings as at 31 December 2013.'

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2013 ("FY2013").

The Group recorded a net profit attributable to the equity shareholders of the Company of HK$17.2 million in FY2013, an increase of HK$10.1 million or 143% from a net profit attributable to the equity shareholders of the Company of HK$7.1 million reported in the previous corresponding year, due mainly to the unrealised valuation gain from the Group's securities holding as at 31 December 2013.

On the Group's Investment Holding segment, the net realised and unrealised valuation gains of HK$17.0 million was recognised from the Group's securities holding as at 31 December 2013. Net realised and unrealised foreign exchange gain of HK$5.7 million was also recorded, which mainly arose from the Sterling Pound denominated trading securities and Renminbi denominated cash deposits. Overall, the total net realised and unrealised gains of HK$22.7 million was recorded for the year under review as compared with total net realised and unrealised gains of HK$15.9 million in the previous corresponding year.

During the year under review, the Group reported an improvement in revenue to HK$102.8 million, an increase of HK$5.4 million or 5.5% from HK$97.4 million in the previous corresponding year due to higher revenues from the Group's Hospitality segment. Consequently, the Group's Hospitality segment reported a pre-tax profit of HK$1.8 million in FY2013, reversing the pre-tax loss of HK$8.7 million in the previous corresponding year.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded higher management fee of HK$33.0 million, up by HK$2.6 million or 8.6% from HK$30.4 million in the previous corresponding year due mainly from a new contract secured with a full service property. Overall, with good cost controls and measures, Richfield Hospitality contributed a lower loss before tax of HK$1.0 million as compared with a loss of HK$5.4 million in the previous corresponding year.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. continued to enjoy good room occupancy and contributed total revenue of HK$25.6 million, up by HK$1.6 million or an increase by 6.7% from HK$24.0 million in the previous corresponding year. The increase in revenue was offset by increased administrative expenses and interest expense arising from a bank loan to re-finance its joint operation of the hotel on 26 April 2013. Accordingly, the profit contribution reduced slightly to HK$3.7 million from HK$3.8 million in the previous corresponding year.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded a full year of revenue amounting to HK$36.2 million, up from HK$29.1 million being revenue recorded for approximately ten months of operation as SHR was acquired around end February 2012. However, the increase of HK$7.1 million in revenue from SHR was offset by a decrease of HK$3.0 million from the in-house reservations management and distribution arm which had since ceased operation as a result of the merger with SHR at end February 2012. For the year under review, SHR incurred a lower loss at HK$3.5 million as compared with HK$8.1 million in the previous corresponding year.

The Group's jointly-controlled entity which owns the Crowne Plaza Syracuse Hotel reported improved trading result and contributed a share of profit of HK$2.2 million for the year under review as compared with a share of profit of HK$1.0 million in the previous corresponding year. The Group also recognised share of profit from its associates of HK$0.4 million, which included the Group's share of acquisition-related costs of HK$0.6 million arising from the Group's investment in S-R Burlington Partners, LLC ("SRBP") on 30 January 2013.

Basic earnings per share for the year under review was HK4.49 cents calculated on the weighted average number of 382,449,524 ordinary shares in issue during the year. The Group's Net Tangible Assets per share improved from HK$1.37 as at 31 December 2012 to HK$1.43 as at 31 December 2013. The board is not proposing a final dividend for the year under review.

PROSPECTS

The Group remains cautious in the midst of the global uncertainty, though there are signs of improvement in the U.S. real estate and hospitality market.

The Group continues to hold some trading securities while its cash reserves are in a basket of currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value readjustments of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

In reference to the announcements made in late FY2013, 23 January 2014 and 21 February 2014 in relation to the possible disposal of interests by CDL Subsidiaries and the HL Entities (as defined in these announcements) in the Company, the Board understands that while due diligence review of the Company and its subsidiaries is still on going, the parties involved have commenced negotiations regarding the terms of the agreement for sale and purchase. As the parties are still in the course of negotiations and have not finalised the terms of agreement for sale and purchase, no formal agreement has been entered into by the parties up to the date of this announcement. There is no assurance that a binding sale and purchase agreement will be entered into in respect of the proposed acquisition. As the proposed acquisition may or may not materialize, shareholders of the Company and the investing public are advised to exercise extreme caution when dealing in the shares of the Company.

Kwek Leng Beng
Chairman
25 February 2014

Financial Statistics Summary

Consolidated Statement of Profit or Loss

	The Group				
	2013 HK$'000	2012 HK$'000 (restated)	2011 HK$'000 (restated)	2010 HK$'000 (restated)	2009 HK$'000
Continuing operations					
Turnover	102,838	97,448	75,338	70,091	65,270
Profit/(Loss) before taxation	16,304	236	(41,766)	(5,267)	51,417
Income tax	(442)	2,528	1,419	7,302	(119)
Profit/(Loss) for continuing operations	15,862	2,764	(40,347)	2,035	51,298
Discontinued operations					
Profit from discontinued operations, net of tax	—	—	9,002	5,477	5,105
Profit/(Loss) for the year	15,862	2,764	(31,345)	7,512	56,403
Attributable to:					
Equity shareholders of the Company	17,169	7,064	(31,231)	8,994	55,865
Non-controlling interests	(1,307)	(4,300)	(114)	(1,482)	538
Profit/(Loss) for the year	15,862	2,764	(31,345)	7,512	56,403
Dividends payable to equity shareholders of the Company attributable to the year:					
Final dividend proposed after balance sheet date	—	—	—	—	—
Earnings per share					
Basic earnings/(losses) per share (HK cents)	4.49	1.85	(8.17)	2.35	14.61
Continuing operations					
Basic earnings/(losses) per share (HK cents)	4.49	1.85	(10.52)	0.92	13.28

Financial Statistics Summary

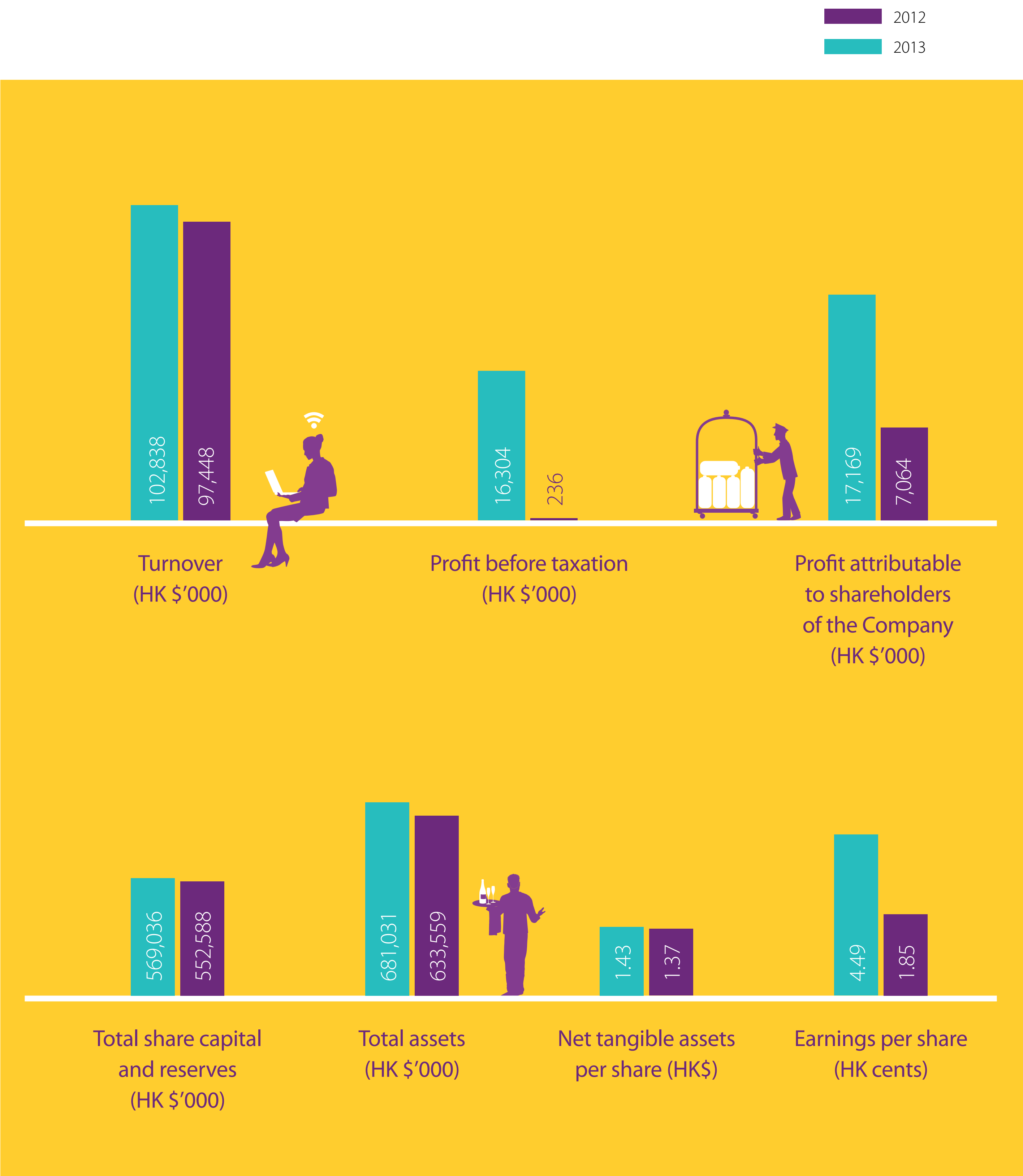
Statements of Financial Position

	The Group				
	2013 HK$'000	2012 HK$'000 (restated)	2011 HK$'000 (restated)	2010 HK$'000 (restated)	2009 HK$'000 (restated)
Property, plant and equipment	41,903*	43,602*	43,282*	1,210	2,472
Intangible assets	13,588	16,289	361	38	103
Goodwill	8,937	8,938	1,694	—	—
Available-for-sale financial assets	32,996	—	—	—	—
Long term bank deposits	9,495	—	—	—	—
Interest in a joint venture	9,340	10,404	12,492	18,723	—
Interest in associates	8,673	1,550	—	—	—
Deferred tax assets	20,804	23,270	21,927	20,337	12,814
Current assets	535,295	529,506	531,112	595,325	607,699
Total assets	681,031	633,559	610,868	635,633	623,088
Current liabilities	(34,334)	(32,799)	(29,138)	(23,386)	(19,914)
Total assets less current liabilities	646,697	600,760	581,730	612,247	603,174
Employee benefits	(1,632)	(1,971)	(2,535)	(1,561)	(1,093)
Interest-bearing loans	(31,229)	(88)	—	—	—
Net assets	613,836	598,701	579,195	610,686	602,081
Capital and Reserves					
Share capital	382,450	382,450	382,450	382,450	382,450
Reserves	186,586	170,138	162,064	193,433	183,368
Total equity attributable to equity shareholders of the Company	569,036	552,588	544,514	575,883	565,818
Non-controlling interests	44,800	46,113	34,681	34,803	36,263
Total equity	613,836	598,701	579,195	610,686	602,081

***Major Property**

Hotel	Tenure	Site Area (sq. Metres)	Number of Rooms	Effective Group Interest (%)
Sheraton Chapel Hill Hotel 1 Europa Drive Chapel Hill, North Carolina	Fee Simple	20,072.45 sq m	168	43

Financial Highlights



Corporate Information

Executive Directors
Kwek Leng Beng
(Chairman and Managing Director)
Kwek Leng Joo
Gan Khai Choon
Lawrence Yip Wai Lam

Non-Executive Directors
Chan Bernard Charnwut
Ronald Nathaniel Issen
(Deputy Chairman)

Independent Non-Executive Directors
Dr. Lo Ka Shui
Lee Jackson @ Li Chik Sin
Teoh Teik Kee

Audit Committee
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Chan Bernard Charnwut

Remuneration Committee
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Gan Khai Choon

Nomination Committee
Dr. Lo Ka Shui
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Chan Bernard Charnwut
Gan Khai Choon

Chief Executive Officer
Sherman Kwek Eik Tse

Company Secretary
Wan Ho Yan

Auditors
KPMG LLP
Public Accountants and Chartered
Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Principal Banker
The Hongkong & Shanghai
Banking Corporation Limited

Registrars
Principal Registrar
Computershare Hong Kong
Investor Services Limited

Branch Registrar
Maples and Calder,
Cayman Islands

Principal Office
2803, 28th Floor
Great Eagle Centre
23 Harbour Road Wanchai
Hong Kong

Singapore Branch
36 Robinson Road #04-01
City House Singapore 068877

Business Address
390 Havelock Road #02-01
King's Centre Singapore 169662

Registered Office
C/o Maples and Calder
P.O. Box 309, Grand Cayman
Cayman Islands
British West Indies

Legal Advisors
Hong Kong
Iu, Lai & Li Solicitors & Notaries

Cayman Islands
Maples & Calder,
Attorneys-at-Law

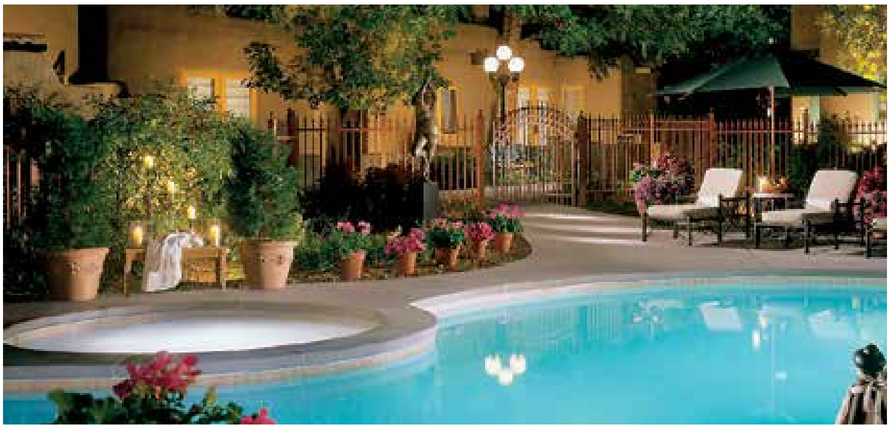
Products and Services

SWAN Holdings Limited Group ("SWAN")
SWAN, a subsidiary of the Company, provides integrated solutions to the hospitality industry. SWAN can help hoteliers manage their properties in a more effective, competitive and cost efficient manner. The SWAN team offers a host of value-added services and expertise in all facets of hotel operation through its four business divisions: Richfield, Sceptre, Shield and Source.

Richfield Hospitality Services (Hotel Management)
Richfield is an established and highly reputable hotel management company. With strong industry relations and global experience, Richfield is authorized to operate hotels under leading brand affiliations as well as provide hotel operations and marketing for independently branded properties. For over three decades, Richfield has successfully managed and skillfully developed hotel assets across all markets, categories and consumer segments while specializing in operating premier resorts, full service hotels and limited service properties. In 2013, Richfield managed over 20 properties in the form of operational management contracts, asset management, ownership and/or shared investment, representing close to 5,000 rooms with franchise licenses from leading hotel companies including Hilton, Starwood, InterContinental, Marriott, Hyatt and Choice International. Richfield also operates several independent (non-brand affiliated) properties.

Every client's property benefits from the combined 145 years of experience and industry expertise of Richfield's senior management. Each assignment begins by determining the needs of the owner. Richfield reviews the property's prior performance, identifies opportunities and assesses challenges. Richfield then tailors the appropriate solution to deliver immediate and visible improvement in the performance of the property.

With Richfield resources, processes, systems, and technologies, the results consistently exceed clients' expectations, generating increased profitability to the owner and an upgraded and enhanced experience for each guest. For the past 30 years, Richfield has revitalized over 250 properties, ranging from independent, boutique hotels to large, city centre properties and under virtually every industry brand. Richfield achieves superior operating results through intense focus on ensuring a return on investment for all stakeholders. This is accomplished through its strong commitment to guests, employees and owners.


La Posada de Santa Fe Resort & Spa, Santa Fe, NM, USA

Services offered by Richfield cover all aspects of hotel management including:
- Annual Business Planning
- Operations Improvement
- Sales & Marketing Consultancy
- Revenue and Channel Management
- Management of Franchise Affiliation
- Human Resources Management
- Accounting and Budgeting
- Asset Management Services

Consistent efforts to grow client relationships and maximize the profitability of the hotels have culminated in the successful positioning of Richfield as a fundamental component of SWAN.

Sceptre Hospitality Resources (Reservation Distribution)
Sceptre is the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services. By increasing exposure of its client hotels throughout the various electronic channels such as the global distribution systems (GDS), the Internet and property direct sources, as well as optimising its vast channel-marketing reach, Sceptre helps hotels

Products and Services

to increase revenues and create greater brand awareness while improving asset value for owners and operators. Sceptre's e-distribution power and expertise is unsurpassed, with its proprietary state-of-the-art reservations technology and offering a strong commitment to customer service and support.

At Sceptre, we distinguish ourselves from our competitors by providing:

- **Hospitality Experts.** Our staff of professionals has an extensive industry background and can fully appreciate the needs of clients.
- **Customer Service.** We provide focused support of each client to ensure maximum production from the various channels.
- **Monthly Account Analysis.** Each month, we analyse and review the performance of individual hotels to ensure that revenue objectives are met.
- **Affordable Pricing.** With transaction-fixed pricing, the client will enjoy low costs without compromising support.
- **Flexibility.** Our electronic distribution channel can quickly address changes, meeting the needs of the most unique and discerning client.
- **Personalised Attention.** Each client is assigned a Strategic Distribution Manager, who caters to their unique needs.

For over twenty years, Sceptre continues to exceed clients' expectations. The current list of services spans five suites, each focused on maximizing revenues for hotels:

1. Windsurfer CRS: Reservations technology and connectivity, booking engine and ability to interface with other hotel systems. Windsurfer CRS provides the latest and most innovate CRS technology in the industry. The system offers true chain functionality, easy reporting, dynamic applications and the ability to upsell rooms and add-ons. Through the API, Sceptre can also give clients complete control of the booking engine design, or work with clients to customize a unique booking experience for their guests.
2. Revenue Management: Revenue management for hire (RMH), channel strategies, and the ability to interface with PMS and CRS systems
3. Whiteboard Labs: Custom application development, website design and development and mobile site design
4. SpaLinx: Spa management system and internet booking engine
5. MotionNotes: Rich media communication platform, video message and personalized marketing campaigns

Sceptre's expert assistance can greatly enhance its clients' abilities to achieve significant increases in reservations derived through the various electronic distribution channels.

Shield (Risk Management)

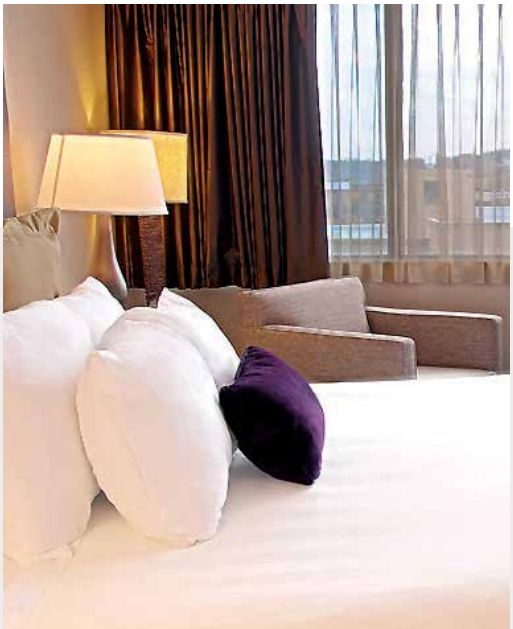
Shield provides risk management services to hotels. Recognising the unique risk profile of the hotel industry, Shield advises hotel management teams on how to lower its overall cost of insurance through pro-active programmes to mitigate risks at their hotels.

Source (Purchasing and Procurement)

Source delivers purchasing and procurement services to hotels with a focus on delivering lower operating expenses to hotels. Source offers hoteliers significant cost savings through its extensive number of national account agreements which are organised to support specific areas of need such as Food and Beverage, Rooms Operations, Engineering and Energy, Administrative, Furnishings, and Fixtures and Equipment.

Sheraton Chapel Hill, Chapel Hill, NC, USA

Financial Review



Crowne Plaza Syracuse Hotel, Syracuse, NY, USA

Group Performance

The Group recorded higher revenue of HK$102.8 million in the financial year ended 31 December 2013 ("FY2013"), up by HK$5.4 million or 5.5%, as compared with HK$97.4 million in the previous corresponding year ("FY2012"). For the year under review, the Group reported a net profit attributable to the equity shareholders of the Company of HK$17.2 million as compared with HK$7.1 million in FY2012, due mainly to the unrealised valuation gain from the Group's securities holding as at 31 December 2013.

The analysis of the Group's revenue and profit and loss from operations by business segments are set out in the notes to the financial statements.

Investment Holding

The Group's Investment Holding segment contributed favourably to the Group's results in FY2013. For the year ended 31 December 2013, the Investment Holding segment recorded net realised and unrealised foreign exchange gain of HK$5.7 million mainly from the Sterling Pound denominated trading securities and Renminbi denominated cash deposits. This, together with net realised and unrealised valuation gain of HK$17.0 million from the Group's securities holding as at 31 December 2013, resulted in total net realised and unrealised gains of HK$22.7 million in FY2013 as compared with HK$15.9 million reported in FY2012. The increase in total net realised and unrealised gains was offset by lower dividend and interest income of HK$3.8 million in FY2013, as compared with HK$5.5 million in FY2012.

Overall, the Investment Holding segment recorded a pre-tax profit of HK$14.5 million for FY2013 as compared with HK$8.9 million in FY2012.

Hospitality

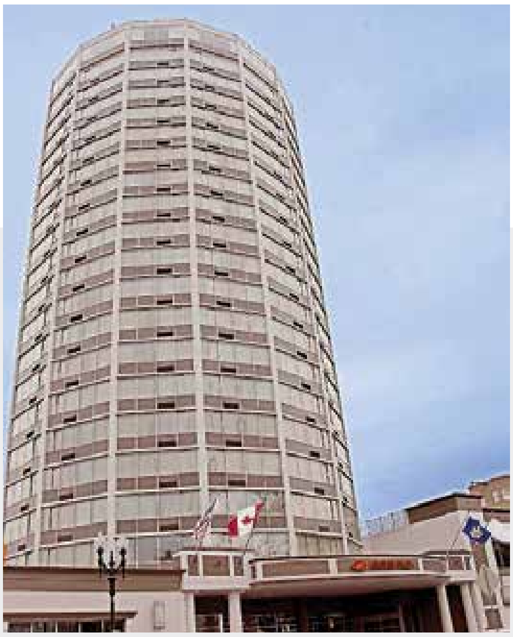
The Group's Hospitality segment recorded an improvement in revenue to HK$99.0 million, an increase of HK$7.1 million or 7.7% from HK$91.9 million in FY2012.

Richfield Hospitality, Inc ("RHI"), the Group's hotel management arm recorded a higher management fee of HK$33.0 million, an increase of HK$2.6 million or 8.6% from HK$30.4 million in FY2012. With good cost controls and measures, RHI contributed a lower loss before tax of HK$1.0 million as compared with a loss of HK$5.4 million in FY2012.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, contributed a full year revenue of HK$36.2 million in FY2013, up from HK$29.1 million being revenue recorded for approximately ten months of operation of SHR in FY2012. The increase of HK$7.1 million in revenue from SHR was offset by the loss of revenue of HK$3.0 million from Sceptre Hospitality, the Group's in-house reservation management and distribution arm, which had since ceased operation as a result of the merger with SHR in FY2012. SHR incurred a lower loss at HK$3.5 million in FY2013 as compared with a loss of HK$8.1 million in FY2012, due partly to the write-off of the acquisition-related expense amounting to HK$2.7 million in the previous corresponding year.

The Group's jointly-operated Sheraton Chapel Hill Hotel (the "Hotel") continued to enjoy good room occupancy and contributed a total revenue of HK$25.6

Financial Review


Crowne Plaza Syracuse Hotel, Syracuse, NY, USA

million to the Group's revenue, an increase of HK$1.6 million or 6.7%, from HK$24.0 million in FY2012. The increase in revenue was offset by increased administrative expenses and interest expense arising from a bank loan to re-finance its joint operation of the Hotel in April 2013. Accordingly, the profit contribution reduced slightly to HK$3.7 million in FY2013 from HK$3.8 million in FY2012.

The Group's jointly-controlled entity which owns the Crowne Plaza Syracuse Hotel reported improved trading result and contributed a share of profit of HK$2.2 million for FY2013 as compared with a share of profit of HK$1.0 million in FY2012. The Group also recognised a share of profit from its associates of HK$0.4 million, which included the Group's share of acquisition-related costs of HK$0.6 million arising from Group's investment in S-R Burlington Partners, LLC ("SRBP") on 30 January 2013.

Overall, the Hospitality segment reported a pre-tax profit of HK$1.8 million as compared with a pre-tax loss of HK$8.7 million in FY2012 due to improved performance from the various business divisions as discussed above.

Financial Position

As at 31 December 2013, the Group's total assets stood at HK$681.0 million, increased from HK$633.6 million as at 31 December 2012. The Group's net tangible asset per share increased to HK$1.43 as at 31 December 2013, up from HK$1.37 as at 31 December 2012.

The Group reports its results in Hong Kong Dollar and it is the objective of the Group to preserve its value in terms of Hong Kong Dollar. It is the Group's policy to continue to seek new investment opportunities that would enhance the Group's long-term value and bring reasonable returns to the shareholders with a cautious attitude.

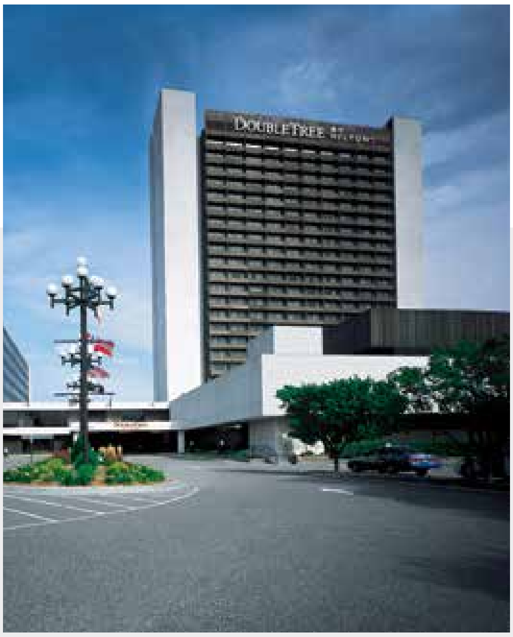
Cash Flow and Borrowings

For the year under review, cash generated from operations amounted to HK$15.7 million. The Group received cash dividend from trading securities of HK$1.8 million and interest income of HK$3.2 million during the year. After payment for overseas tax of HK$0.2 million, net cash generated from operating activities amounted to HK$20.5 million.

In FY2013, the Group invested HK$7.0 million to acquire an effective equity interest of 27.06% in SRBP. The Group has committed to make an investment of US$25.0 million (approximately HK$193.8 million) in BEA Blue Sky Real Estate Fund L.P. (the "Fund"), by way of a subscription for a limited partnership interest in the Fund. Accordingly, a total amount of US$4.3 million (approximately HK$33.0 million) was contributed to the Fund in FY2013.

Following the re-financing of the Group's joint operation, Sheraton Chapel Hill Hotel, the Group received net proceeds from borrowings of HK$32.8 million. The total bank interest paid in FY2013 amounted to HK$0.9 million. Arising from this re-financing exercise, there was a return of cash of approximately HK$44.6 million to the Group which was placed in bank deposits with maturity period of more than 3 months to earn higher interest.

Financial Review



DoubleTree by Hilton Bloomington,Bloomington, MN, USA

Overall, HK$33.0 million net cash was used which, together with a favourable exchange translation gain of HK$3.3 million, resulted in a total Group's cash and cash equivalents of HK$346.7 million as at 31 December 2013, down from HK$376.4 million as at 31 December 2012.

Taking into account of the Group's bank borrowings of HK$32.1 million as at 31 December 2013, the Group's was in a net cash position amounting to HK$314.6 million as at 31 December 2013. Hence, the Group's gearing is zero, which is expressed as a percentage of current and non-current loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

As at 31 December 2013, the Group's bank borrowings, denominated in U.S. Dollars and fixed at 4.21% per annum, amounted to HK$32.1 million (2012: HK$0.1 million), of which HK$0.9 million was current, as included in the portion of interest-bearing borrowing repayable within a period of one year, and HK$31.2 million was non-current and repayable between 1 and 10 years. The bank loans of the Group are secured over the freehold land and building with a carrying amount of HK$39.4 million, pledge of monies held in specific accounts of HK$1.2 million and a non-recourse carveout guarantee by RHI. In addition, as at 31 December 2013, the Group had fully complied with certain financial covenants agreed with the financial institutions.

Treasury Activities

Majority of the Group's cash is held in Chinese Renminbi, United States Dollar and Sterling Pound cash deposits. It is the Group's view to maximise returns to shareholders and hence a portion of its portfolio is held in various currencies. We will closely monitor the Group's exposure to currency movement and take the appropriate action when necessary.

Directors and Employees

As at 31 December 2013, the Group had a total of 76 employees, including Directors but excluding employees from the Hotel, up from 68 as at 31 December 2012. There were 43 (2012: 51) full-time employees from the Hotel as at 31 December 2013.

The total Group's staff costs comprising salaries, wages and other benefits was HK$65.1 million as compared with HK$63.3 million in FY2012. The increase in payroll costs can be attributed mainly to the Hospitality segment.

The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.

Comparatives

Where applicable, the comparative figures for FY2012 have been restated as a result of adopting the new and/or revised accounting standards as discussed in note 1(c) of the financial statements.

Corporate Governance Report

for the year ended 31 December 2013

(a) Corporate governance practices

The Directors and management are committed to maintaining high standards of corporate governance, in line with the principles stated in the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). As good corporate governance, it is the intention of the Company to publish the Group's financial results quarterly.

A ***"Continuous Disclosure Obligation Procedures"*** (the "Procedures") dealing with the Company's obligations for continuous disclosure under the Listing Rules was adopted by the Company and an executive Director, Mr. Lawrence Yip Wai Lam ("Mr. Yip"), had been appointed as the Designated Director to be responsible for the Procedures. In his role as Designated Director, Mr. Yip will consult with the Chairman of the Board, the Chief Executive Officer and members of the executive management team, including the Company's legal advisors, regarding the Company's discharge of its continuous disclosure obligations.

In the opinion of the Directors, save as disclosed below, the Company has complied with CG Code throughout the year under review.

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 19 April 2013 ("2013 AGM"), our Chairman was unable to attend the meeting as he had to attend to other commitments. He appointed Mr. Gan Khai Choon to chair the 2013 AGM on his behalf. Further Mr. Chan Bernard Charnwut, a non-executive Director and member of Audit Committee and Nomination Committee, was invited to attend the 2013 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The 3 independent non-executive Directors were unable to attend the 2013 AGM. Under the code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year under review, no formal meeting has been arranged as our Chairman met with non-executive Directors from time to time informally. Under the code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. It is the normal practice of the Company not to issue formal letters of appointment to Directors as the Company considers that all the Directors fully understand their responsibilities and delegation arrangement in place.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

(b) Directors' securities transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules ("Model Code"). All Directors have confirmed that they have complied with the Model Code throughout the year under review.

(c) Board of Directors

The Board currently comprises 9 Directors, of which 4 are executive Directors, 2 are non-executive Directors and 3 are independent non-executive Directors. The members of the Board are as follows:

Executive Directors
Mr. Kwek Leng Beng (Chairman and Managing Director)
Mr. Kwek Leng Joo
Mr. Gan Khai Choon
Mr. Lawrence Yip Wai Lam

Non-executive Directors
Mr. Chan Bernard Charnwut
Mr. Ronald Nathaniel Issen (Appointed as non-executive Director on 14 May 2013 and appointed as Deputy Chairman on 9 October 2013)

Independent non-executive Directors
Dr. Lo Ka Shui
Mr. Lee Jackson @ Li Chik Sin
Mr. Teoh Teik Kee

Corporate Governance Report
for the year ended 31 December 2013

The biographical details of the Directors and Senior Management are set out in the Profile on Directors and Senior Management section of the Directors' Report.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of Senior Management. These functions are either carried out directly by the Board or through committees established by the Board. The Management is responsible for the day-to-day management and operations of the Company's business including the implementation of internal control, business strategies and plans approved by the Board.

A "***Schedule of Matters Reserved for Decision by Board***" (the "Schedule") has been adopted by the Company. The Board shall review the items in the Schedule on a periodic basis to ensure that they remain appropriate to the needs of the Group. The Directors, individually or as a group, are entitled to take independent professional advice, at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant it. A ***"Guidelines for Seeking Independent Professional Advice"*** has been adopted by the Board.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board, Audit Committee, Remuneration Committee and Nomination Committee meetings in 2013, as well as the frequency of such meetings, is set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Kwek Leng Beng	3/4			
Mr. Kwek Leng Joo	4/4			
Mr. Gan Khai Choon	4/4		1/1	1/1
Mr. Lawrence Yip Wai Lam	4/4			
Non-executive Directors				
Mr. Chan Bernard Charnwut	4/4	4/4		1/1
Mr. Ronald Nathaniel Issen	2/2			
Independent non-executive Directors				
Dr. Lo Ka Shui	3/4			1/1
Mr. Lee Jackson @ Li Chik Sin	4/4	4/4	1/1	1/1
Mr. Teoh Teik Kee	4/4	4/4	1/1	1/1

(d) Directors' Training and Professional Development

All Directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training for its Directors. The training records for the year had been provided to the Company Secretary by all Directors of the Company.

On appointment to the Board, the newly appointed Director was provided a comprehensive induction package covering business operations and obligations of being a director to ensure that the Director would be sufficiently aware of the responsibilities under the Listing Rules and other relevant regulatory requirements.

All the Directors of the Company were provided with monthly commentary on the Group's business, operations, and financial matters.

From time to time, the Company Secretary updates and provides written materials to the Directors on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code.

Corporate Governance Report

for the year ended 31 December 2013

(e) Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Kwek Leng Beng while the Chief Executive Officer ("CEO") is Mr. Sherman Kwek Eik Tse. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company's business, including management of the Company's day-to-day operations and implementation of key policies, procedures and business strategies approved by the Board.

(f) Non-executive Directors

The non-executive Directors and independent non-executive Directors were appointed for a specific term of 3 years, subject to retirement by rotation at annual general meeting and being eligible to offer themselves for re-election.

(g) Remuneration Committee ("RC")

The RC was established in May 2005 and comprises 2 independent non-executive Directors and 1 executive Director. The members of the RC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Gan Khai Choon	Member (Executive)

The primary objective of the RC is to consider management recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the CEO. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

(a) To review and approve Management's remuneration proposal and the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

(b) To recommend to the Board on the remuneration of non-executive Directors; and

(c) To consider Management's recommendation on the payment of annual and/or variable performance bonus to employees of the Company, and review and approve the annual and/or variable performance bonus payable to the executive Directors and Senior Management, having regard to their achievements against the performance criteria and by reference to market norms.

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share option grants), taking into account other factors, the individual performance, the performance of the Company and industry practices.

The RC met once during the year under review to discuss remuneration related matters (including the remuneration of Directors and Senior Management) and review the remuneration policy of the Group. It has been decided that RC would determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

(h) Nomination Committee ("NC")

The NC was established in August 2005 and comprises 3 independent non-executive Directors, 1 non-executive Director and 1 executive Director. The members of the NC are as follows:

Dr. Lo Ka Shui	Chairman (Independent non-executive)
Mr. Teoh Teik Kee	Member (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Chan Bernard Charnwut	Member (Non-executive)
Mr. Gan Khai Choon	Member (Executive)

Corporate Governance Report
for the year ended 31 December 2013

The revised Terms of Reference of NC was adopted on 1 September 2013 to take into consideration of the newly adopted Board Diversity Policy. The principal responsibilities of NC are to review regularly the Board composition, to identify and nominate suitable candidates as Board members, to assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman of the Board and the CEO.

The Company has adopted a "***Board Diversity Policy***" on 1 September 2013 which sets out the Company's approach and the basic principles to be followed in order to achieve diversity on the Company's Board of Directors. The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. The range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors based on the specific needs of the Company. The Company is in the process of developing measurable objectives for implementing and achieving diversity on the Board.

During the year under review, the NC met once to assess the independence of independent non-executive Directors and the balance and composition of the Board and Board committee. The NC also reviewed and recommended the re-election of the retiring Directors at the 2013 AGM and assessed the independence of Dr. Lo Ka Shui who has served as an independent non-executive Director of the Company for more than nine years. As part of the process of reviewing the Board's composition, the NC had recommended the appointment of Mr. Ronald Nathaniel Issen as an additional non-executive Director on 14 May 2013. Mr. Issen's financial background further supplements the Board's core competencies.

(i) Audit Committee ("AC")

The Company has an AC which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The AC comprises 2 independent non-executive Directors and 1 non-executive Director of the Company. The members of the AC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Chan Bernard Charnwut	Member (Non-executive)

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company's financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

(a) To monitor the integrity of the half-year, quarterly or other periodic and annual financial statements and review them before submission to the Board for approval for publication;

(b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness; and

(d) To review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year under review, the AC held 4 meetings in February 2013, May 2013, July 2013 and October 2013. In the meeting held in February 2013, the Annual Report and Audited Financial Statements for the year ended 31 December 2012 were reviewed together with the external auditors. In the May 2013 meeting, the Unaudited Financial Results for the 3 months ended 31 March 2013 were reviewed. In the July 2013 meeting, the Interim Financial Report for the 6 months ended 30 June 2013 was reviewed. In the October 2013 meeting, the Unaudited Financial Results for the 9 months ended 30 September 2013 were reviewed. The adequacy of internal control was also scheduled to be discussed in these meetings. The AC concluded that there were no major issues which the AC considered that the Board should be informed after the AC meetings.

Corporate Governance Report
for the year ended 31 December 2013

(j) Corporate governance functions

The Board is responsible for the corporate governance functions, which include the following duties:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and Senior Management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

(k) Auditors' remuneration

The Group's external auditors are KPMG LLP, Singapore ("KPMG"). During the year under review, the Group has engaged KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) to provide the following services and their respective fees charged are set out as below:

Type of services	Fees charged 2013 HK$'000	2012 HK$'000
Audit fee for the Group	**3,719**	2,226
Taxation services	**106**	90
Non-audit services:		
- review of continuing connected transactions	**57**	57
- review of half-year financial statements	**527**	437
- review of accounting entries in respect of business acquisition	**–**	330
- review of the compilation of pro forma financial information	**281**	–
Total	**4,690**	**3,140**

(l) Accountability

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significantly doubt upon the Company's ability to continue as a going concern.

(m) Internal control

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. During the year under review, the Board has through the AC reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions.

Internal Audit was carried out on a systematic rotational basis based on the risk assessments of the operation and controls, and reports were presented to the AC at least twice every year on significant findings on internal control system.

Corporate Governance Report

for the year ended 31 December 2013

(n) Company Secretary

The Company Secretary confirmed that he has taken no less than 15 hours of relevant professional training during the year under review.

(o) Shareholders' rights

In accordance with Article 72 of the Company's Articles of Association, general meetings may be convened on the written requisition of any two members of the Company deposited at the registered office specifying the objects of the meeting and signed by the requisitionists and such meeting shall be held two (2) months after the deposit of such requisition, and if the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

A Shareholder Communication Policy was adopted by the Board in May 2012 to maintain an on-going dialogue with Shareholders and the investment community, and the Board will review this Policy from time to time to ensure its effectiveness, and compliance with the Company's objectives and responsibilities. Shareholders should direct their questions about their shareholdings to the Company's Registrar and may at any time make enquiry to the Board or make request for the Company's information to the extent such information is publicly available at the Company's principal office and/or branch office in Hong Kong and Singapore.

If a shareholder wishes to nominate a person to stand for election as a Director at a general meeting, the relevant documents must be validly served on the principal office of the Company within the requisite period of time. The full details of the procedures for shareholders to propose a person for election as a director were posted on the website of The Stock Exchange of Hong Kong Limited and the Company's third-party hosted website at http://www.ifn.com.hk/IR/company.php?ref=13.

(p) Investor relations

There is no change to the Company's constitutional documents during the year under review.

Directors' Report
for the year ended 31 December 2013

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL PLACE OF BUSINESS

City e-Solutions Limited (the "Company") is a company incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and principal place of business at Room 2803, 28th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 11 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 31 to 88.

TRANSFER TO RESERVES

Profit attributable to shareholders, before dividends, of HK$17,169,000 (2012: HK$7,064,000) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity.

The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: nil). No interim dividend was paid for the year ended 31 December 2013 (2012: nil).

CHARITABLE DONATIONS

During the year, charitable donations of HK$8,000 (2012: HK$15,000) were made by the Group.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 12 to the financial statements.

Directors' Report
for the year ended 31 December 2013

SHARE CAPITAL

The Company did not issue any shares during the financial year.

The Company has a share option scheme (the "2005 Scheme") which was adopted on 27 April 2005 ("Adoption Date") whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the Shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the Shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. The Executive Share Option Scheme (the "1997 Scheme") adopted by the Company on 11 June 1997 was terminated upon the 2005 Scheme becoming effective.

Throughout the financial year, no share option was granted and outstanding.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the turnover attributable to the Group's five largest customers combined was 30% (2012: 24%) of the Group's turnover and the largest customer, included therein accounted for approximately 16% (2012: 14%). The percentage of purchases attributable to the Group's five largest suppliers combined was about 48% (2012: 38%) and the largest supplier included therein accounted for approximately 15% (2012: 14%).

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS

The Directors of the Company during the financial year were as follows:

Executive Directors
Mr. Kwek Leng Beng (Chairman and Managing Director)
Mr. Kwek Leng Joo
Mr. Gan Khai Choon
Mr. Lawrence Yip Wai Lam

Non-executive Directors
Mr. Chan Bernard Charnwut
Mr. Ronald Nathaniel Issen (Appointed as non-executive Director on 14 May 2013 and appointed as Deputy Chairman on 9 October 2013)

Independent non-executive Directors
Dr. Lo Ka Shui
Mr. Lee Jackson @ Li Chik Sin
Mr. Teoh Teik Kee

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Report
for the year ended 31 December 2013

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Kwek Leng Beng, *aged 73*
Chairman and Managing Director

Mr. Kwek Leng Beng has been the Chairman and Managing Director of the Company since 1989.

He is the executive Chairman of City Developments Limited. He is also the Chairman and Managing Director of Hong Leong Finance Limited. He is the Chairman of Millennium & Copthorne Hotels plc, Hong Leong Asia Ltd, and Hong Leong Investment Holdings Pte. Ltd.

Mr. Kwek has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as Hong Leong Finance Limited). He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr. Kwek's achievements have also captured the attention of the academic institutions. He was conferred Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, U.S.), where students have an opportunity to pursue career education in business, hospitality, culinary arts or technology; and Honorary Doctorate from Oxford Brookes University (UK) whose citation traced how Mr. Kwek, who joined the family business in the early 1960s, had gone on to establish an international reputation for his leadership of the Hong Leong Group, as well as an active supporter of higher education in Singapore.

At the Securities Investors Association Singapore (SIAS) Investors' Choice Awards in October 2012, Mr. Kwek (as Executive Chairman of City Developments Limited), together with Mr. Kwek Leng Joo (who was the Managing Director of City Developments Limited from January 1995 until his appointment as Deputy Chairman of City Developments Limited on 17 February 2014), emerged joint winners as "Partners in the Office of the CEO" in the Brendan Wood International - SIAS TopGun CEO Designation Award. This Award is accorded to CEOs who are best in class rated by shareholders.

Mr. Kwek also serves as a member of the INSEAD East Asia Council. France-based INSEAD is one of the world's leading and largest graduate business schools which brings together people, cultures and ideas from around the world.

In February 2014, Mr Kwek was also presented with the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award which was introduced to honour a pioneering group of real estate industry leaders in Singapore.

Mr. Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators.

Mr. Kwek Leng Beng is the brother of Mr. Kwek Leng Joo, brother-in-law of Mr. Gan Khai Choon, and father of Mr. Sherman Kwek Eik Tse.

Mr. Kwek Leng Joo, *aged 60*
Executive Director

Mr. Kwek Leng Joo was appointed an Executive Director of the Company in 1989.

Appointed as a Director of City Developments Limited (CDL) on 8 February 1980, Mr. Kwek assumed the position of Deputy Managing Director in 1987 and held the role of CDL's Managing Director from January 1995 until his appointment as Deputy Chairman of CDL on 17 February 2014. He is also the chairman of Corporate Social Responsibility & Corporate Governance (CSR & CG) Committee of CDL. He is a non-executive Director of Hong Leong Finance Limited. In the preceding 3-year period, he was a non-executive Director of Millennium & Copthorne Hotels plc until May 2011.

Mr. Kwek holds a Diploma in Financial Management and has extensive experience in property development and investment. Within the Hong Leong Group, he holds directorships in a number of its listed companies, including Hong Leong Finance Limited. Mr. Kwek contributes actively to the business and civic communities through many public appointments. He has served as the President of the Singapore Chinese Chamber of Commerce and Industry (SCCCI) from 1993-1997 and 2001-2005 and is currently the Honorary President of SCCCI. He is the Chairman of the Board of Trustees of National Youth Achievement Award Council, Trustee of The Duke of Edinburgh's International Award Foundation and member of the Board of Trustees of Nanyang Technological University. He is also a member of the National Climate Change Network and Marina Bay Public Art Advisory Panel, as well as an Honorary Fellow of the Society of Project Managers.

To raise the importance of CSR in the business community in Singapore, Mr. Kwek was elected the President of Singapore Compact for CSR, which is the national CSR society and country focal point for the United Nations (UN) Global Compact in Singapore.

Mr. Kwek Leng Joo is the brother of Mr. Kwek Leng Beng, brother-in-law of Mr. Gan Khai Choon and uncle of Mr. Sherman Kwek Eik Tse.

Directors' Report

for the year ended 31 December 2013

Mr. Gan Khai Choon, *aged 67*
Executive Director

Mr. Gan Khai Choon was appointed as an executive Director of the Company in 1989. On 22 April 2009, he was appointed as a member of the Remuneration Committee and Nomination Committee of the Company. He is also Managing Director of Hong Leong International (Hong Kong) Limited. Apart from being an executive Director of the Company, Mr. Gan also holds a number of directorships in other members of the Group. He is also a Director of China Yuchai International Limited. He is also an independent non-executive Director of Safety Godown Company Limited and Chairman of its Audit Committee. Mr. Gan was appointed Chairman of HL Global Enterprises Limited in September 2007. He has more than 39 years of experience in banking, real estate investment and development. He has been responsible for overseeing the development of the Grand Hyatt Taipei and other international projects for the Hong Leong Group of companies. Mr. Gan has a Bachelor of Arts degree (Honours) in Economics from the University of Malaya.

Mr. Gan Khai Choon is the brother-in-law of Messrs. Kwek Leng Beng and Kwek Leng Joo and uncle of Mr. Sherman Kwek Eik Tse.

Mr. Lawrence Yip Wai Lam, *aged 58*
Executive Director

Mr. Lawrence Yip was appointed an executive Director of the Company in December 1998. Apart from being an executive Director of the Company, Mr. Yip also holds a number of directorships in other members of the Group. Mr. Yip is also a Director of eMpire Investments Limited. He was formerly the General Manager (Finance & Administration) of the Company. He has over 10 years of experience in the Treasury Division of several banks. Prior to joining the Group in April 1990, Mr. Yip held the position of Regional Treasurer with a bank in Singapore.

Mr. Chan Bernard Charnwut, *aged 49*
Non-executive Director

Mr. Chan Bernard Charnwut has been a Director of the Company since 1989 and was appointed a member of the Audit Committee on 18 January 2000. Previously an independent non-executive Director of the Company, he was re-designated as a non-executive Director of the Company with effect from 30 September 2004. In 2005, he was appointed a member of the Nomination Committee of the Company. Mr. Chan is a Deputy to the National People's Congress and a former member of both Hong Kong's Executive and Legislative Councils. He sits on a number of bodies, including as the Chairman of the Council of Lingnan University, the Council for Sustainable Development, the Advisory Committee on Revitalisation of Historic Buildings, the Hong Kong-Thailand Business Council, the Chairperson of the Hong Kong Council of Social Service and the deputy Chairman of the Oxfam Hong Kong. He is also an Advisor to Bangkok Bank Public Company Limited, Hong Kong Branch. He was an independent non-executive Director of Kingboard Laminates Holdings Ltd. from 5 November 2006 to 4 May 2011. Mr. Chan was re-appointed as a member of the Executive Council of Hong Kong SAR in 2012.

A graduate of Pomona College in California, he is the President of Asia Insurance Co Ltd. Mr. Chan is also an executive Director and the President of Asia Financial Holdings Limited and an independent non-executive Director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited, China Resources Enterprise Ltd. and a non-executive Director of New Heritage Holdings Limited.

Mr. Ronald Nathaniel Issen*, aged 51*
Non-executive Director

Mr. Ronald Nathaniel Issen was appointed non-executive Director on 14 May 2013 and appointed as the Deputy Chairman of the Company on 9 October 2013. He holds an MBA from Stanford University's Graduate School of Business and a BA from Williams College.

Mr. Issen serves, inter alia, as Chairman, Asia, for Hailo Network Holdings Limited, is a non-executive Director of Capella Hotel Group Asia Pte. Ltd. and acts as Managing Director of Issen & Company. He is a past Senior Advisor based in Hong Kong for Apollo Global Management LLC, and previously served on the board of Midan City Development Co. Ltd (formerly Lippo Incheon Development Co. Ltd.) in Korea, as well as on the board for SGX-ST listed Food Junction Holdings Ltd. Prior, Mr Issen was on the Executive Management Committee of Hong Kong's eSun Holdings Limited (part of Hong Kong's Lai Sun Group) and earlier spent more than 10 years as a senior banking executive with then-Credit Agricole Indosuez in Europe and Asia. He has also held positions, among others, with Smith Barney (later acquired by Citigroup) and with the Boston Consulting Group. Additionally, he serves as Chapter Head/President and member of the Board of Directors of the Stanford GSB Chapter of Hong Kong Limited.

Directors' Report

for the year ended 31 December 2013

Dr. Lo Ka Shui*, *aged 67*
Director

Dr. Lo Ka Shui was appointed to the Board of the Company in 1989. In 2005, he was appointed Chairman of the Nomination Committee of the Company. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust), LHIL Manager Limited (in the capacity as Trustee-Manager of Langham Hospitality Investments Limited) and Langham Hospitality Investments Limited. He is also an independent non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and China Mobile Limited. Dr. Lo is a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. He stepped down as the Chairman and was appointed as the vice chairman of the Chamber of Hong Kong Listed Companies on 27 June 2013.

Mr. Lee Jackson @ Li Chik Sin*, *aged 81*
Director

Mr. Lee Jackson was appointed as an independent non-executive Director and Chairman of the Audit Committee of the Company in December 1998. In 2005, he was appointed a member of the Remuneration Committee and the Nomination Committee of the Company. On 22 April 2009, he stepped down as the Chairman of the Audit Committee of the Company and remains as a member of the Audit Committee. He also sits on the Board of Hong Fok Corporation Limited and was appointed as its lead independent Director on 1 April 2013. Mr. Lee was an independent non-executive Director of Hong Leong Finance Limited from 1 February 2005 until 21 April 2011. He was formerly a partner of an international firm of Chartered Accountants and is a member of The Australian Institute of Chartered Accountants.

Mr. Teoh Teik Kee*, *aged 54*
Director

Mr. Teoh Teik Kee was appointed an independent non-executive Director and a member of the Audit Committee of the Company on 30 September 2004. In 2005, he was appointed Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. On 22 April 2009, he was appointed Chairman of the Audit Committee of the Company. Mr. Teoh is a lead independent Director of Luzhou Bio-Chem Technology Limited and was appointed as a non-independent & non-executive Director of Hwang-DBS (Malaysia) Berhad on 1 April 2013. Mr Teoh resigned as a non-executive non-independent Director of Great Group Holdings Limited on 1 November 2013.

Mr. Teoh is a Chartered Accountant by training, and worked from 1986 to 1990 with KPMG Peat Marwick McLintock in London and with PricewaterhouseCoopers in Singapore. He has extensive experience in investment banking and corporate financial advisory services when he was with the DBS Bank Group from 1993 to 2001.

Mr. Teoh graduated from Aston University, Birmingham, United Kingdom with a Bachelor of Science (Honours) Degree in Managerial and Administrative Studies, and is a member of the Institute of Chartered Accountants in England and Wales. He also has a diploma in Corporate Treasury Management awarded by the Association of Corporate Treasurers in the United Kingdom.

* *Independent non-executive Director*

The non-executive Directors are subject to the same terms of appointment as the other Directors of the Company. Fees payable to non-executive Directors are approved by the Board at the end of each financial year.

Directors' Report
for the year ended 31 December 2013

SENIOR MANAGEMENT

Mr. Sherman Kwek Eik Tse, *aged 37*
Chief Executive Officer

Mr. Sherman Kwek Eik Tse was appointed as the Chief Executive Officer of the Company on 1 November 2008.

Prior to joining the Company, Mr. Kwek was the Chief Operating Officer of Thakral Corporation Ltd ("Thakral Corp"). At Thakral Corp, he was responsible for running the day-to-day operations and assisting the Board of Directors in setting a strategic direction for the company.

Before Thakral Corp, Mr. Kwek was a Director of RECAP Investments Limited, a Pan-Asian real estate private equity fund. He assisted the fund in completing deals in Korea and Thailand as well as sourcing for deals in China. Prior to that, Mr. Kwek was based in the U.S. and held a hotel management and property development role for the U.S. division of Millennium & Copthorne Hotels plc, where he assisted the regional president in overseeing a portfolio of more than a dozen hotels as well as managing several condominium conversion projects.

Mr Kwek started out his career in New York, first as a financial analyst in Telligent Capital, a technology venture capital firm, before progressing on to the Investment Banking Division of Credit Suisse First Boston.

Mr. Kwek has experience in the areas of finance, mergers and acquisitions, real estate, information technology and hotel management. He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

Mr. Sherman Kwek Eik Tse is the son of Mr. Kwek Leng Beng, the nephew of Messrs. Kwek Leng Joo and Gan Khai Choon.

Mr. Man Mang Wo, Derek, *aged 58*
Chief Financial Officer

Mr. Man Mang Wo, Derek joined the Group in 1996 and was appointed Chief Financial Officer of the Company with effect from 1 April 2004. Mr. Man is a member of the Certified General Accountants Association of Canada, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He also holds a Bachelor of Business Administration (Honours) Degree from a UK university and a Master of Professional Accounting Degree from The Hong Kong Polytechnic University. He has over 30 years of experience in the accounting and finance field.

Mr. Johnathan Sze, *aged 35*
Senior Vice President, Investments

Mr. Johnathan Sze joined the Company in March 2010 as Senior Vice President, Investments. Mr. Sze has over twelve years of experience in real estate finance and investment including acquisition of land, income producing properties, collateralised debt and equity securities, as well as public listed companies. More recently, he has been leading the effort on the Company's hospitality investments and expansion. Prior to joining the Company, he was an Executive Director at RECAP Investments Limited where he sourced and executed property investments throughout North Asia with a focus on China, Korea, and Japan. He had also been an associate at Westbrook Partners LLC, a multi-billion real estate private equity fund headquartered in New York, where he participated in a number of transactions in the United States and Japan. Mr. Sze began his career as an analyst at Deutsche Bank's real estate investment banking group in New York. He attended Cornell University and graduated with a Bachelor of Architecture with Honours.

Directors' Report
for the year ended 31 December 2013

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

(a) As at 31 December 2013, the interests of the Directors and Chief Executive Officer of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

The Company

Name of Director	Nature of Interest	Number of Ordinary Shares of HK$1.00 each
Kwek Leng Beng	personal	3,286,980
Kwek Leng Joo	personal	1,436,000
Gan Khai Choon	personal	1,041,100
Lawrence Yip Wai Lam	personal	520,550
Chan Bernard Charnwut	personal	53,850

City Developments Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	397,226
Kwek Leng Joo	personal	65,461
Gan Khai Choon	personal	100,000
	family	25,000

Name of Director	Nature of Interest	Number of Preference Shares
Kwek Leng Beng	personal	144,445
Kwek Leng Joo	personal	100,000
Gan Khai Choon	personal	49,925
	family	25,738

Hong Leong Investment Holdings Pte. Ltd.

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	2,320
Kwek Leng Joo	personal	1,290
Gan Khai Choon	family	247
Name of Chief Executive Officer		
Sherman Kwek Eik Tse	personal	1,174

Millennium & Copthorne Hotels plc

Name of Director	Nature of Interest	Number of Ordinary Shares of 30 pence each
Lawrence Yip Wai Lam	personal	52,081

Directors' Report
for the year ended 31 December 2013

Millennium & Copthorne Hotels New Zealand Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	3,000,000

Note: Millennium & Copthorne Hotels New Zealand Limited is an indirect subsidiary of Millennium & Copthorne Hotels plc, a subsidiary of City Developments Limited. City Developments Limited is the holding company of the Company. The Directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the Company's ultimate holding company.

(b) Pursuant to Millennium & Copthorne Hotels Long Term Incentive Plan (the "LTIP") approved by shareholders of Millennium & Copthorne Hotels plc ("M&C") on 4 May 2006, certain Directors were awarded Performance Share Awards of ordinary shares of 30 pence each as follows:

Name of Director	Date Awarded	Number of Performance Shares	Vesting Date
Lawrence Yip Wai Lam	28/11/2011	19,301	28/11/2014
	16/08/2012	9,077	16/08/2015
	11/09/2013	6,490	11/09/2016

Note: Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an Executive Director) of M&C or its subsidiaries.

(c) Save as disclosed herein, as at 31 December 2013, none of the Directors and the Chief Executive Officer of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code.

Directors' Report
for the year ended 31 December 2013

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of Shares Held	Notes	Percentage Holding in the Company
eMpire Investments Limited	190,523,819		49.82%
City Developments Limited	200,854,743	(1)	52.52%
Hong Leong Holdings Limited	21,356,085		5.58%
Hong Leong Investment Holdings Pte. Ltd.	230,866,817	(2)	60.37%
Davos Investment Holdings Private Limited	230,866,817	(3)	60.37%
Kwek Leng Kee	230,866,817	(4)	60.37%
Farallon Capital Offshore Investors, Inc.	35,232,850	(5)	9.21%
Aberdeen Asset Management Asia Ltd.	23,052,000		6.03%
Aberdeen Asset Management Plc and its Associates (together "The AAM Group") on behalf of accounts managed by The AAM Group	23,052,000	(6)	6.03%
First Eagle Investment Management, LLC (formerly known as Arnhold and S Bleichroeder Advisors, LLC)	22,363,590		5.85%
Noonday G.P. (U.S.), LLC	22,321,306		5.84%

Notes:

(1) Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.52% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.

(2) The interests of CDL and Hong Leong Holdings Limited in 200,854,743 shares and 21,356,085 shares respectively, are included in the aggregate number of shares disclosed.

(3) The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.37% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.

(4) Mr. Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited ("Davos") is deemed to have an interest in, by virtue of his entitlement to exercise or control the exercise of one-third or more of the voting power at general meetings of Davos.

(5) Farallon Capital Offshore Investors, Inc is interested in these shares in its capacity as the beneficial owner.

(6) Aberdeen Asset Management Plc is interested in these shares in its capacity as the investment manager and includes shares in which wholly-owned controlled corporations of Aberdeen Asset Management Plc are interested.

Save as stated above, no person was interested in or had a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2013.

Directors' Report

for the year ended 31 December 2013

DIRECTORS' INTERESTS IN CONTRACTS

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

ARRANGEMENTS TO ACQUIRE SHARES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding companies a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

Provision of Property Management Services

Property Management Services are provided by the Group to Owners of Hotels, being indirect wholly-owned subsidiaries of Millennium & Copthorne Hotels plc ("M&C"). M&C is a subsidiary of the City Developments Limited, a controlling shareholder of the Company. Details of the transactions were set out in the press announcement dated 8 January 2007 as renewed by the press announcement dated 6 January 2010 and 15 January 2013. The cap amount for Property Management Services is HK$4.0 million for each of the three financial years commencing from 1 January 2013 and ending 31 December 2015.

The total revenue generated from the provision of Property Management Services for the year ended 31 December 2013 amounted to HK$1.3 million (2012: HK$1.4 million).

All the independent non-executive Directors have reviewed the Continuing Connected Transactions in the 2013 financial year and confirmed that those transactions had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company, KPMG LLP, have confirmed in a letter to the Board that nothing has come to their attention that caused them to believe that the Continuing Connected Transactions in the 2013 financial year:

(i) had not been approved by the Board of the Company;

(ii) were not entered into in all material respects in accordance with the relevant agreement governing such transactions; and

(iii) had exceeded the cap amount of HK$4.0 million disclosed in the announcement of the Company dated 15 January 2013.

Directors' Report

for the year ended 31 December 2013

Other Related Party Transactions

Other related party transactions are set out in note 30 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" in Chapter 14A of the Listing Rules and are exempted under the Listing Rules or does not fall into the definition of "connected transaction" or "continuing connected transaction".

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiaries.

PRE-EMPTIVE RIGHTS

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

EMPLOYEE RETIREMENT BENEFIT

Details of the Group's employee retirement benefits are shown in note 26 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

KPMG LLP retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

KWEK LENG BENG
Chairman

25 February 2014

Independent Auditor's Report

to the Shareholders of City e-Solutions Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of City e-Solutions Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 88, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

25 February 2014

Consolidated Statement of Profit or Loss

for the year ended 31 December 2013

	Note	The Group 2013 HK$'000	2012 HK$'000 *(restated)*
Turnover	2	**102,838**	97,448
Cost of sales		**(18,981)**	(18,445)
Gross profit		**83,857**	79,003
Other net gains	3	**23,561**	16,284
Administrative expenses		**(92,612)**	(96,022)
Profit/(Loss) from operating activities		**14,806**	(735)
Finance costs	4	**(1,046)**	–
Share of profit of a joint venture		**2,187**	971
Share of profit of associates		**357**	–
Profit before taxation	4	**16,304**	236
Income tax (expense)/credit	5a	**(442)**	2,528
Profit for the year		**15,862**	2,764
Attributable to:			
Equity shareholders of the Company	8	**17,169**	7,064
Non-controlling interests		**(1,307)**	(4,300)
Profit for the year		**15,862**	2,764
		HK cents	**HK cents**
Earnings per share			
Basic earnings per share	9	**4.49**	1.85

The notes on page 37 to 88 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000 *(restated)*
Profit for the year		**15,862**	2,764
Other comprehensive income for the year (after taxation):	10		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(689)**	999
Exchange differences on monetary item forming net investment in a foreign operation		**(38)**	–
Total comprehensive income for the year		**15,135**	3,763
Attributable to:			
Equity shareholders of the Company		**16,448**	8,074
Non-controlling interests		**(1,313)**	(4,311)
Total comprehensive income for the year		**15,135**	3,763

The notes on page 37 to 88 form part of these financial statements.

Statements of Financial Position

as at 31 December 2013

	Note	The Group			The Company	
		31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*	1 January 2012 HK$'000 *(restated)*	31 December 2013 HK$'000	31 December 2012 HK$'000
Non-current assets						
Property, plant and equipment	12	**41,903**	43,602	43,282	**1**	513
Intangible assets	13	**13,588**	16,289	361	**–**	–
Goodwill	14	**8,937**	8,938	1,694	**–**	–
Available-for-sale financial assets	15	**32,996**	–	–	**–**	–
Other receivables	22	**–**	–	–	**33,000**	–
Long term bank deposits		**9,495**	–	–	**–**	–
Interests in subsidiaries	16	**–**	–	–	**220,860**	220,859
Interest in a joint venture	18	**9,340**	10,404	12,492	**–**	–
Interest in associates	19	**8,673**	1,550	–	**–**	–
Deferred tax assets	20	**20,804**	23,270	21,927	**–**	–
Total non-current assets		**145,736**	104,053	79,756	**253,861**	221,372
Current assets						
Trading securities	21	**114,042**	93,150	79,900	**107,523**	88,996
Trade and other receivables	22	**34,467**	58,452	53,153	**1,728**	1,013
Short term bank deposits		**35,112**	–	–	**–**	–
Current tax recoverable	5c	**3,721**	1,452	357	**–**	–
Cash and cash equivalents	23	**347,953**	376,452	397,702	**239,886**	276,358
		535,295	529,506	531,112	**349,137**	366,367
Current liabilities						
Trade and other payables	24	**(33,450)**	(32,760)	(29,138)	**(29,075)**	(29,024)
Interest-bearing borrowings	25	**(884)**	(39)	–	**–**	–
		(34,334)	(32,799)	(29,138)	**(29,075)**	(29,024)
Net current assets		**500,961**	496,707	501,974	**320,062**	337,343
Total assets less current liabilities		**646,697**	600,760	581,730	**573,923**	558,715
Non-current liabilities						
Employee benefits	26	**(1,632)**	(1,971)	(2,535)	**–**	–
Interest-bearing borrowings	25	**(31,229)**	(88)	–	**–**	–
		(32,861)	(2,059)	(2,535)	**–**	–
NET ASSETS		**613,836**	**598,701**	**579,195**	**573,923**	**558,715**
CAPITAL AND RESERVES	27					
Share capital		**382,450**	382,450	382,450	**382,450**	382,450
Reserves		**186,586**	170,138	162,064	**191,473**	176,265
Total equity attributable to equity shareholders of the Company		**569,036**	552,588	544,514	**573,923**	558,715
Non-controlling interests		**44,800**	46,113	34,681	**–**	–
TOTAL EQUITY		**613,836**	**598,701**	**579,195**	**573,923**	**558,715**

Approved and authorised for issue by the board of directors on 25 February 2014.

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KWEK LENG BENG
Chairman

....

GAN KHAI CHOON
Director

The notes on page 37 to 88 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Attributable to equity shareholders of the Group						
	Share capital HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Revenue reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2012	382,450	676	2,006	159,382	544,514	34,681	579,195
Changes in equity for 2012:							
Profit/(Loss) for the year	–	–	–	7,064	7,064	(4,300)	2,764
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of foreign operations	–	–	1,010	–	1,010	(11)	999
Total comprehensive income for the year	–	–	1,010	7,064	8,074	(4,311)	3,763
Transactions with owners, recorded directly in equity							
Contribution by non-controlling interests	–	–	–	–	–	15,743	15,743
Total transactions with owners	–	–	–	–	–	15,743	15,743
Balance at 31 December 2012	382,450	676	3,016	166,446	552,588	46,113	598,701
Balance at 1 January 2013	**382,450**	**676**	**3,016**	**166,446**	**552,588**	**46,113**	**598,701**
Changes in equity for 2013:							
Profit/(Loss) for the year	**–**	**–**	**–**	**17,169**	**17,169**	**(1,307)**	**15,862**
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**(683)**	**–**	**(683)**	**(6)**	**(689)**
Exchange differences on monetary item forming net investment in a foreign operation	**–**	**–**	**(38)**	**–**	**(38)**	**–**	**(38)**
Total comprehensive income for the year	**–**	**–**	**(721)**	**17,169**	**16,448**	**(1,313)**	**15,135**
Balance at 31 December 2013	**382,450**	**676**	**2,295**	**183,615**	**569,036**	**44,800**	**613,836**

The notes on page 37 to 88 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000 (restated)
Operating activities			
Profit for the year		**15,862**	2,764
Income tax expense/(credit)	5	**442**	(2,528)
Profit before income tax		**16,304**	236
Adjustments for:			
Amortisation of intangible assets	4	**2,698**	2,270
Depreciation of property, plant and equipment	4	**2,607**	2,043
Dividend income	2	**(1,802)**	(3,379)
Finance costs	4	**1,046**	–
Gain on disposal of property, plant and equipment	3	**(518)**	–
Other net gains	3	**(25)**	–
Interest income	2	**(2,770)**	(4,135)
Net realised and unrealised foreign exchange gain	3	**(5,701)**	(3,598)
Net realised and unrealised valuation gain on trading securities	3	**(17,317)**	(12,686)
Share of profit of a joint venture		**(2,187)**	(971)
Share of profit of associates		**(357)**	–
		(24,326)	(20,456)
Operating loss before changes in working capital		**(8,022)**	(20,220)
Changes in working capital			
Trade and other receivables		**24,294**	(5,628)
Trade and other payables		**(520)**	3,154
Cash generated from/(used in) operations		**15,752**	(22,694)
Interest received		**3,174**	3,751
Dividend received		**1,802**	3,379
Tax (paid)/refunded – overseas tax		**(240)**	85
Net cash generated from/(used in) operating activities		**20,488**	(15,479)

The notes on page 37 to 88 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000 (restated)
Investing activities			
Acquisition of interest in an associate		**(6,983)**	–
Acquisition of interest in a subsidiary, net of cash acquired		**–**	(10,082)
Dividends received from a joint venture		**3,257**	3,252
Dividends received from associates		**271**	–
Formation of associate		**–**	(1,550)
Increase in bank deposits		**(44,607)**	–
Payment for purchase of property, plant and equipment		**(1,078)**	(1,623)
Payment for purchase of available-for-sale financial assets		**(33,034)**	–
Payment for purchase of trading securities		**(6,132)**	(6,542)
Proceeds from disposal of property, plant and equipment		**1,027**	–
Proceeds from sale of trading securities		**4,248**	7,910
Net cash used in investing activities		**(83,031)**	(8,635)
Financing activities			
Increase in cash pledged		**(1,209)**	–
Interest paid		**(868)**	–
Payment of transaction costs relating to interest-bearing borrowings		**(1,234)**	–
Proceeds from interest-bearing borrowings		**33,376**	–
Repayment of interest-bearing borrowings		**(535)**	–
Net cash generated from financing activities		**29,530**	–
Net decrease in cash and cash equivalents		**(33,013)**	(24,114)
Cash and cash equivalents at 1 January		**376,452**	397,702
Effect of foreign exchange rate changes		**3,305**	2,864
Cash and cash equivalents at 31 December	23	**346,744**	376,452

The notes on page 37 to 88 form part of these financial statements.

Notes to the Financial Statements

31 December 2013

These notes form an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint arrangements.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale or as trading securities (Note 1(i))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainties are discussed in note 33.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- HKAS 28, *Investments in associates and joint ventures*
- Revised HKAS 19, *Employee benefits*
- *Annual Improvements to HKFRSs 2009 – 2011 Cycle*
- Amendments to HKFRS 7, *Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities*

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Changes in accounting policies (cont'd)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "Statement of Profit or Loss" and "Statement of Profit or Loss and Other Comprehensive Income" as introduced by the amendments in these financial statements.

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, *Joint arrangements*

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. The adoption of HKFRS 11 has changed the Group's accounting policy for its joint venture which was previously accounted for using proportionate consolidation.

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 16, 17, 18 and 19.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 29. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Changes in accounting policies (cont'd)

Revised HKAS 19, *Employee benefits*

Under the revised HKAS 19, the definitions of short-term and long-term employee benefits have been changed so that they will now be distinguished based on when the benefits are expected to be wholly settled. The revision in HKAS 19 has changed the classification of the Group's employee benefits from current liabilities to non-current liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Since the Group considers that the restatements resulting from the adoption of HKFRS 11 and revised HKAS 19 have a material impact on the opening financial position, an additional statement of financial position as at 1 January 2012 has been presented in these financial statements.

Amendments to HKFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

Financial effects of changes in accounting policies

The financial effects of the changes in accounting policies on the Group's consolidated statement of financial position as at 1 January 2012 and 31 December 2012 and its consolidated statement of profit or loss for the year ended 31 December 2012 as restated comparatives in the consolidated financial statements for the year ended 31 December 2013, is as follows:

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Changes in accounting policies (cont'd)

	Impact on financial position as at 1 January 2012			
	As previously reported HK$'000	Retrospective effect of adoption of HKFRS 11 HK$'000	Retrospective effect of revised HKAS 19 HK$'000	As restated HK$'000
Non-current assets				
Property, plant and equipment	90,775	(47,493)	–	43,282
Intangible assets	2,564	(2,203)	–	361
Goodwill	2,232	(538)	–	1,694
Interest in joint venture	–	12,492	–	12,492
Current assets				
Trade and other receivables	53,547	(394)	–	53,153
Cash and cash equivalents	399,681	(1,979)	–	397,702
Non-current liabilities				
Employee benefits	–	–	(2,535)	(2,535)
Interest-bearing loans	(37,439)	37,439	–	–
Current liabilities				
Trade and other payables	(33,788)	2,115	2,535	(29,138)
Interest-bearing loans	(562)	562	–	–

	Impact on financial position as at 31 December 2012			
	As previously reported HK$'000	Retrospective effect of adoption of HKFRS 11 HK$'000	Retrospective effect of revised HKAS 19 HK$'000	As restated HK$'000
Non-current assets				
Property, plant and equipment	88,337	(44,735)	–	43,602
Intangible assets	17,350	(1,061)	–	16,289
Goodwill	9,477	(539)	–	8,938
Interest in joint venture	–	10,404	–	10,404
Current assets				
Trade and other receivables	59,178	(726)	–	58,452
Cash and cash equivalents	379,533	(3,081)	–	376,452
Non-current liabilities				
Employee benefits	–	–	(1,971)	(1,971)
Interest-bearing loans	(37,031)	36,943	–	(88)
Current liabilities				
Trade and other payables	(36,899)	2,168	1,971	(32,760)
Interest-bearing loans	(666)	627	–	(39)

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Changes in accounting policies (cont'd)

	Impact on results for the year ended 31 December 2012		
	As previously reported HK$'000	Retrospective effect of adoption of HKFRS 11 HK$'000	As restated HK$'000
Turnover	135,085	(37,637)	97,448
Cost of sales	(33,034)	14,589	(18,445)
Gross profit	102,051	(23,048)	79,003
Administrative expenses	(115,215)	19,193	(96,022)
Finance costs	(2,884)	2,884	–
Share of profit of a joint venture	–	971	971

(d) Subsidiaries and Non-controlling Interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(o) or 1(q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset (Note 1(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 1(g)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 1(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Joint Arrangements

A joint arrangement is a contractual arrangement between the Group and other parties, where they have contractually agreed to share joint control, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

(f) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses relating to its interest with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group recognises its interest in the joint operation from the date that joint control commences until the date on which the Group ceases to have joint control over the joint operation.

Unrealised profits and losses resulting from transactions between the Group and its joint operations are eliminated to the extent of the Group's interest in the joint operation, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over the joint operation, it is accounted for as a disposal of the entire interest in the joint operation, with a resulting gain or loss being recognised in profit or loss.

(g) Joint Ventures and Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 1(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Joint Ventures and Associates (cont'd)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 1(i)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (Note 1(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(h) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 1(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(i) Other Investments in Debt and Equity Securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(iv) and 1(t)(v).

Investments in securities which do not fall into held-for-trading or held-to-maturity categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. The cumulative gain or loss in fair value reserve is reclassified to profit or loss when derecognised or impaired (Note 1(m)). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 1(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(iv) and 1(t)(v) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Property, Plant and Equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (Note 1(m)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Building	–	2.6%
Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	–	6% to 33.33%
Motor vehicles	–	20%

No depreciation is provided on freehold land.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Intangible Assets (Other Than Goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 1(m)).

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where appropriate. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 1(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Profit from advance bookings	2 years
- Tax benefits	5 years
- Trade name	1 to 15 years
- Trademarks	15 years
- Franchise application	10 years
- Technology	5 to 11 years
- Customer relations	7 to 11 years

Both the period and method of amortisation are reviewed annually.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Impairment of Assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

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

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

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

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

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment of Assets (cont'd)

(i) Impairment of investments in debt and equity securities and other receivables (cont'd)

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (Note 1(g)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities carried at fair value, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities carried at fair value are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

- For unquoted available-for-sale equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment of Assets (cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

- Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Notes 1(m)(i) and 1(m)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (Note 1(m)).

(o) Trade and Other Payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Employee Benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Income Tax (cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Hotel management revenue

Revenue arising from hotel management services, reservation distribution and payroll services is recognised when the relevant services are delivered.

(ii) Hotel operations

Revenue from hotel operations is recognised on an accrual basis, upon rendering of the relevant services.

(iii) Insurance and risk management revenue

Revenue arising from insurance and risk management services, where the Group acts as an agent and does not assume underwriting risk, is recognised based on the net amount retained or the amount billed to the customer less the amount paid to suppliers.

For risk management services where the Company acts as an agent and does not assume any underwriting risk, revenue is recorded as the net amount earned as fees rather than the gross amount of insurance premiums and related costs.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of Foreign Currencies

(i) Foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting year. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Translation of Foreign Currencies (cont'd)

(ii) Translation of foreign currencies

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(iii) Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's statement of profit or loss. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the statement of profit or loss as an adjustment to the profit or loss arising on disposal.

(v) Finance Costs

Finance costs comprise interest expenses on borrowings and expenses incurred in connection with the arrangement of debt facilities.

Interest expenses on borrowings are recognised in the statement of profit or loss using the effective interest method. Expenses incurred in connection with the arrangement of debt facilities are recognised in the statement of profit or loss on an effective interest basis over the period for which the debt facilities are granted.

(w) Related Parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Financial Statements

31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Related Parties (cont'd)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(x) Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. TURNOVER

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

Turnover of the Group comprises revenue from hospitality related services, dividend income and interest income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	The Group	
	2013	**2012**
	HK$'000	**HK$'000**
		(restated)
Investment holding	**1,802**	3,379
Hospitality	**98,266**	89,934
Interest income	**2,770**	4,135
	102,838	97,448

Further details regarding the Group's principal activities are disclosed in note 16 to these financial statements.

Notes to the Financial Statements

31 December 2013

3. OTHER NET GAINS

	The Group 2013 HK$'000	The Group 2012 HK$'000
Net realised and unrealised foreign exchange gain	**5,701**	3,598
Net realised and unrealised valuation gain on trading securities	**17,317**	12,686
Gain on disposal of property, plant and equipment	**518**	–
Others	**25**	–
	23,561	16,284

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	The Group 2013 HK$'000	The Group 2012 HK$'000 *(restated)*
Finance costs		
Amortisation of capitalised transaction costs	**85**	–
Interest expenses on borrowings	**961**	–
	1,046	–
Staff costs		
Salaries, wages and other benefits	**65,137**	63,257
Other items		
Amortisation of intangible assets	**2,698**	2,270
Auditors' remuneration		
- audit services	**3,719**	2,226
- tax services	**106**	90
- non-audit services:		
- review of continuing connected transactions	**57**	57
- review of half-year financial statements	**527**	437
- review of accounting entries in respect of business acquisition	**–**	330
- review of the compilation of pro forma financial information	**281**	–
Depreciation of property, plant and equipment	**2,607**	2,043
Impairment losses on trade receivables	**–**	88
Operating lease charges – rental of properties	**1,752**	1,842

Notes to the Financial Statements

31 December 2013

5. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	The Group	
	2013	2012
	HK$'000	HK$'000
Current tax – Overseas		
Provision for the year	**(1,116)**	93
Over-provision in respect of prior years	**(907)**	(1,274)
	(2,023)	(1,181)
Deferred tax		
Origination and reversal of temporary differences	**1,845**	(1,618)
Under-provision in respect of prior years	**620**	271
	2,465	(1,347)
Income tax expense/(credit)	**442**	(2,528)

The provision for Hong Kong Profits Tax for the year ended 31 December 2013 is calculated at the rate of 16.5% (2012: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax, as the Group did not earn any income subject to Hong Kong Profits Tax during the year. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

As at 31 December 2013, the Group had not recognised deferred tax assets in respect of tax losses of approximately HK$4.2 million (2012: HK$4.1 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

(b) Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates:

	The Group	
	2013	2012
	HK$'000	HK$'000
Profit for the year	**15,862**	2,764
Income tax expense/(credit)	**442**	(2,528)
Profit before income tax	**16,304**	236
Income tax using Hong Kong tax rates	**2,690**	39
Tax effect of non-taxable income	**(2,515)**	(1,858)
Tax effect of non-deductible expenses	**188**	104
Effect of tax rates in foreign jurisdictions	**(316)**	190
Effect of tax on non-controlling interest's share of loss pass through different taxpayer	**682**	–
Over-provision in respect of prior years	**(287)**	(1,003)
Actual income tax expense/(credit)	**442**	(2,528)

Notes to the Financial Statements

31 December 2013

5. INCOME TAX (cont'd)

(c) Current taxation in the statement of financial position represents:

	The Group	
	2013	2012
	HK$'000	HK$'000
Recoverable/(Provision) for overseas tax for the year	**1,116**	(93)
Recoverable overseas tax relating to prior years	**2,605**	1,545
	3,721	1,452

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
2013				
Executive Directors				
Kwek Leng Beng	**375**	–	–	**375**
Kwek Leng Joo	**100**	–	–	**100**
Gan Khai Choon	**100**	–	–	**100**
Lawrence Yip Wai Lam	**50**	–	–	**50**
Non-Executive Directors				
Chan Bernard Charnwut	**194**	–	–	**194**
Ronald Nathaniel Issen	**63**	–	–	**63**
Independent Non-Executive Directors				
Dr. Lo Ka Shui	**100**	–	–	**100**
Lee Jackson @ Li Chik Sin	**194**	–	–	**194**
Teoh Teik Kee	**288**	–	–	**288**
	1,464	–	–	**1,464**
Chief Executive Officer*				
Sherman Kwek Eik Tse	–	**2,211**	–	**2,211**

Notes to the Financial Statements

31 December 2013

6. DIRECTORS' REMUNERATION (cont'd)

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
2012				
Executive Directors				
Kwek Leng Beng	375	–	–	375
Kwek Leng Joo	100	–	–	100
Gan Khai Choon	100	–	–	100
Lawrence Yip Wai Lam	50	–	–	50
Non-Executive Director				
Chan Bernard Charnwut	194	–	–	194
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	–	–	100
Lee Jackson @ Li Chik Sin	194	–	–	194
Teoh Teik Kee	288	–	–	288
	1,401	–	–	1,401
Chief Executive Officer*				
Sherman Kwek Eik Tse	–	2,250	–	2,250

* *In accordance with Paragraph 24 of Appendix 16 to the Hong Kong Exchange Listing Rules, references to 'Director' include a Chief Executive Officer who is not a director.*

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2012: one) of which is a director whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the other four (2012: four) individuals are as follows:

	The Group 2013	The Group 2012
	HK$'000	HK$'000
Salaries and other emoluments	**5,632**	5,543
Discretionary bonuses	**2,721**	2,651
	8,353	8,194

Notes to the Financial Statements

31 December 2013

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS (cont'd)

The emoluments of the four (2012: four) individuals with the highest emoluments are within the following band:

	2013 Number of individuals	2012 Number of individuals
HK$Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$15,208,000 (2012: HK$8,875,000) which has been dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$17,169,000 (2012: HK$7,064,000) and on the weighted average of 382,449,524 ordinary shares (2012: 382,449,524 shares) in issue during the year, calculated as follows:

	The Group	
	2013 No. of Shares	2012 No. of Shares
Weighted average number of ordinary shares at 1 January and 31 December	**382,450**	382,450

(b) Diluted earnings per share

Diluted earnings per share is not applicable as there are no dilutive potential ordinary shares during the year.

Notes to the Financial Statements

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10. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	The Group					
	2013			2012		
	Before tax amount HK$'000	Tax expenses HK$'000	Net of tax amount HK$'000	Before tax amount HK$'000	Tax expenses HK$'000	Net of tax amount HK$'000
Exchange differences on translation of financial statements of foreign operations	**(689)**	**–**	**(689)**	999	–	999
Exchange differences on monetary item forming net investment in a foreign operation	**(38)**	**–**	**(38)**	–	–	–
	(727)	**–**	**(727)**	999	–	999

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following two reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment:

- Investment holding : This segment relates to investments in listed equity investments, unlisted marketable equitable equity mutual funds held as trading securities and investment in an unlisted equity fund classified as available-for-sale financial assets. Currently, the Group's equity investment portfolio includes equity securities listed on the London Stock Exchange, NASDAQ Stock Market and The Philippines Stock Exchange, Inc. and investment portfolio in United States and Hong Kong.

- Hospitality : This segment primarily derives the revenue from the provision of hotel management, hotel reservation, revenue management services, risk management services and procurement services to the hospitality industry as well as owning and managing hotels. Currently, the Group's activities in this regard are carried out in the United States.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, goodwill and current assets with the exception of deferred tax assets and current tax recoverable. Segment liabilities include bank borrowings and trade and other payables.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint operation.

The measure used for reporting segment profit is "profit from operations". In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, impairment losses, unrealised foreign exchange gain/loss, unrealised gain/loss on trading securities and additions to non-current segment assets used by the segments in their operations.

Notes to the Financial Statements

31 December 2013

11. SEGMENT REPORTING (cont'd)

(b) Information about reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segment for the years ended 31 December 2013 and 2012 is set out below:

	Investment holding		Hospitality		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
		(restated)		*(restated)*		*(restated)*
Revenue from external customers	**1,802**	3,379	**98,266**	89,934	**100,068**	93,313
Interest income	**2,034**	2,120	**736**	2,015	**2,770**	4,135
Reportable segment revenue	**3,836**	5,499	**99,002**	91,949	**102,838**	97,448
Reportable segment profit/(loss)	**14,528**	8,906	**1,776**	(8,670)	**16,304**	236
Depreciation and amortisation	**2**	(303)	**5,303**	4,616	**5,305**	4,313
Net realised and unrealised valuation gain on trading securities	**16,991**	12,302	**326**	384	**17,317**	12,686
Net realised and unrealised foreign exchange gain/(loss)	**5,709**	3,598	**(8)**	–	**5,701**	3,598
Additions to non-current assets	**33,034**	–	**17,905**	3,302	**50,939**	3,302
Reportable segment assets	**467,836**	464,957	**188,670**	143,880	**656,506**	608,837
Reportable segment liabilities	**9,946**	9,067	**57,249**	25,791	**67,195**	34,858

(c) Reconciliations of reportable segment assets

	The Group	
	2013	**2012**
	HK$'000	**HK$'000**
		(restated)
Assets		
Reportable segment assets	**656,506**	608,837
Deferred tax assets	**20,804**	23,270
Current tax recoverable	**3,721**	1,452
Consolidated total assets	**681,031**	633,559

Notes to the Financial Statements

31 December 2013

11. SEGMENT REPORTING (cont'd)

(d) Geographical segments

The Group's investing activities are mainly carried out in Hong Kong. Hospitality activities are carried out by the subsidiaries based in United States.

In presenting information on the basis of geographical segments, segment revenue in relation to investment holding is based on the geographical location of investments and segment revenue in relation to hospitality is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

(e) Geographical information

31 December 2013

	The Group	
	Revenues HK$'000	Non-current assets HK$'000
Hong Kong	**3,603**	**1**
China	**–**	**1,682**
United States	**99,235**	**90,253**
Cayman Islands	**–**	**32,996**
	102,838	**124,932**

31 December 2012

	The Group	
	Revenues HK$'000 *(restated)*	Non-current assets HK$'000 *(restated)*
Hong Kong	5,112	3
China	–	1,550
United States	92,336	78,720
Singapore	–	510
	97,448	80,783

Major customer
Revenues from one customer of the Group's hospitality segment represents approximately HK$16,713,000 (2012: HK$18,730,000) of the Group's total revenue.

Notes to the Financial Statements

31 December 2013

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land HK$'000	Building HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2012 (previously reported)	8,530	60,555	31,389	3,692	104,166
Retrospective effect of adoption of HKFRS 11	(3,490)	(27,137)	(20,111)	–	(50,738)
At 1 January 2012 (restated)	5,040	33,418	11,278	3,692	53,428
Additions	20	677	1,055	–	1,752
Acquisition of interest in a subsidiary (Note 16(a))	–	108	900	–	1,008
Disposal of interest in a subsidiary	–	–	(486)	–	(486)
Exchange adjustments	(2)	(9)	–	–	(11)
At 31 December 2012 (restated)	5,058	34,194	12,747	3,692	55,691
At 1 January 2013 (restated)	**5,058**	**34,194**	**12,747**	**3,692**	**55,691**
Additions	**–**	**264**	**1,163**	**–**	**1,427**
Disposals	**–**	**–**	**–**	**(3,129)**	**(3,129)**
Exchange adjustments	**–**	**(1)**	**–**	**–**	**(1)**
At 31 December 2013	**5,058**	**34,457**	**13,910**	**563**	**53,988**
Accumulated depreciation and impairment losses					
At 1 January 2012 (previously reported)	–	1,688	8,215	3,488	13,391
Retrospective effect of adoption of HKFRS 11	–	(1,029)	(2,216)	–	(3,245)
At 1 January 2012 (restated)	–	659	5,999	3,488	10,146
Depreciation for the year	6	28	2,314	(305)	2,043
Disposal of interest in a subsidiary	–	–	(114)	–	(114)
Exchange adjustments	–	–	14	–	14
At 31 December 2012 (restated)	6	687	8,213	3,183	12,089
At 1 January 2013 (restated)	**6**	**687**	**8,213**	**3,183**	**12,089**
Depreciation for the year	**16**	**1,819**	**772**	**–**	**2,607**
Disposals	**–**	**–**	**–**	**(2,620)**	**(2,620)**
Exchange adjustments	**6**	**(1)**	**4**	**–**	**9**
At 31 December 2013	**28**	**2,505**	**8,989**	**563**	**12,085**
Net book value					
At 1 January 2012 (restated)	5,040	32,759	5,279	204	43,282
At 31 December 2012 (restated)	5,052	33,507	4,534	509	43,602
At 31 December 2013	**5,030**	**31,952**	**4,921**	**–**	**41,903**

Notes to the Financial Statements

31 December 2013

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Freehold land is situated outside Hong Kong and is being held for own use.

During the year ended 31 December 2013, the Group acquired property, plant and equipment amounting to HK$1,427,000 (2012: HK$1,752,000), of which HK$349,000 (2012: HK$129,000) was acquired via finance leases. The cash outflow on acquisition of property, plant and equipment amounted to HK$1,078,000 (2012: HK$1,623,000).

At 31 December 2013, property, plant and equipment of the Group with a carrying amount of HK$39,383,000 (2012 as restated: nil) were pledged as security to secure bank loans (Note 25).

The Company	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2012 and 31 December 2012	2,967	3,692	6,659
At 1 January 2013	**2,967**	**3,692**	**6,659**
Disposals	**–**	**(3,129)**	**(3,129)**
At 31 December 2013	**2,967**	**563**	**3,530**
Accumulated depreciation			
At 1 January 2012	2,961	3,488	6,449
Charge for the year	2	(305)	(303)
At 31 December 2012	2,963	3,183	6,146
At 1 January 2013	**2,963**	**3,183**	**6,146**
Charge for the year	**3**	**–**	**3**
Disposals	**–**	**(2,620)**	**(2,620)**
At 31 December 2013	**2,966**	**563**	**3,529**
Net book value			
At 31 December 2012	4	509	513
At 31 December 2013	**1**	**–**	**1**

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13. INTANGIBLE ASSETS

The Group	Profits from advance bookings HK$'000	Tax benefits HK$'000	Trade name HK$'000	Trade-marks HK$'000	Franchise appli-cation HK$'000	Tech-nology HK$'000	Customer relations HK$'000	Total HK$'000
Cost								
At 1 January 2012 (previously reported)	1,051	4,153	423	1,055	330	–	–	7,012
Retrospective effect of adoption of HKFRS 11	(1,051)	(4,153)	(423)	1	–	–	–	(5,626)
At 1 January 2012 (restated)	–	–	–	1,056	330	–	–	1,386
Additions through acquisition of interest in a subsidiary (Note 16(a))	–	–	1,603	–	–	14,925	1,673	18,201
Exchange adjustments	–	–	(5)	–	(1)	2	1	(3)
At 31 December 2012 (restated)	–	–	1,598	1,056	329	14,927	1,674	19,584
At 1 January 2013 (restated)	**–**	**–**	**1,598**	**1,056**	**329**	**14,927**	**1,674**	**19,584**
Exchange adjustments	**–**	**–**	**6**	**–**	**–**	**(6)**	**–**	**–**
At 31 December 2013	**–**	**–**	**1,604**	**1,056**	**329**	**14,921**	**1,674**	**19,584**
Accumulated amortisation and impairment losses								
At 1 January 2012 (previously reported)	1,028	1,981	390	1,022	27	–	–	4,448
Retrospective effect of adoption of HKFRS 11	(1,028)	(1,981)	(390)	–	(24)	–	–	(3,423)
At 1 January 2012 (restated)	–	–	–	1,022	3	–	–	1,025
Charge for the year	–	–	86	11	28	1,974	171	2,270
At 31 December 2012 (restated)	–	–	86	1,033	31	1,974	171	3,295
At 1 January 2013 (restated)	**–**	**–**	**86**	**1,033**	**31**	**1,974**	**171**	**3,295**
Charge for the year	**–**	**–**	**101**	**2**	**16**	**2,377**	**202**	**2,698**
Exchange adjustments	**–**	**–**	**3**	**–**	**–**	**1**	**(1)**	**3**
At 31 December 2013	**–**	**–**	**190**	**1,035**	**47**	**4,352**	**372**	**5,996**
Net book value								
At 1 January 2012 (restated)	–	–	–	34	327	–	–	361
At 31 December 2012 (restated)	–	–	1,512	23	298	12,953	1,503	16,289
At 31 December 2013	**–**	**–**	**1,414**	**21**	**282**	**10,569**	**1,302**	**13,588**

The amortisation charge for the Group's trade name, trademark, technology and customer relations and the Group's share of the joint operation's franchise application are included in "administrative expenses" in the consolidated statement of profit or loss.

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14. GOODWILL

	The Group HK$'000
At 1 January 2012 (previously reported)	2,232
Retrospective effect of adoption of HKFRS 11	(538)
At 1 January 2012 (restated)	1,694
Acquisition of interest in a subsidiary (Note 16(a))	7,252
Exchange adjustments	(8)
At 31 December 2012 (restated)	8,938
Exchange adjustments	(1)
At 31 December 2013	8,937

On 27 February 2012, the Group successfully acquired Whiteboard Labs, LLC ("WBL") and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources ("SHR"), in which the Group holds a 51% equity interest. Goodwill with a carrying amount of HK$7,252,000 had been recorded (Note 16(a)).

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to hotel operations of Sheraton Chapel Hill Hotel and hotel reservation business of Sceptre Hospitality Resources which is included in the hospitality segment.

(a) As at the reporting date, the Group has determined the recoverable amount of the hotel operations of Sheraton Chapel Hill Hotel based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 4 years and discount rate of 21.97%. The terminal value is calculated by applying an exit multiple to the projected terminal period EBITDA and applying the discount rate of 21.97%. The key assumptions are those relating to risk free rate of return, current risk premium, size premium, beta, expected changes in average room rates and occupancy and direct costs. The exit multiple for the terminal value is based on the Enterprise Value/EBITDA of comparable business enterprises.

(b) As at the reporting date, the Group has determined the recoverable amount of the hotel reservation business of Sceptre Hospitality Resources based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 6 years and discount rate of 40.28%. The terminal value is calculated utilising the Gordon Growth method and applying the discount rate of 40.28%. The key assumptions are those relating to risk-free rate of return, current risk premium, size premium, beta, revenue growth and costs growth. The Gordon Growth model assumes that cash flow will increase at the long-term growth rate of 4% and a capitalisation rate of 36.3%.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000
Available-for-sale equity securities:		
Unlisted shares, at cost	**32,996**	–

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15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

On 3 June 2013, the Group's direct wholly-owned subsidiary, CES Capital Limited, had committed to make an investment of US$25.0 million (approximately HK$193.8 million) in BEA Blue Sky Real Estate Fund L.P. (the "Fund"), by way of a subscription for a limited partnership interest in the Fund. As at 31 December 2013, CES Capital Limited had contributed US$4.3 million (approximately HK$33.0 million) to the Fund.

The Fund is a closed-ended private equity fund structured as a Cayman Islands exempted limited partnership, organised for the sole purpose of subscribing for a limited partnership interest in the BEA/AGRE China Real Estate Fund, L.P. (the "China Fund"). The China Fund is a real estate private equity fund established for the purpose of making investments in real estate assets and real estate-related assets in Greater China.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	31 December 2013 HK$'000	**31 December 2012 HK$'000**
Unlisted shares, at cost	**259,601**	259,600
Less: Impairment loss	**(38,741)**	(38,741)
	220,860	220,859

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name/ Principal activities	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest %	Held by company %	Held by subsidiary %
Principal direct and indirect subsidiaries					
CES Capital Limited* (Investment holding)	British Virgin Islands	1 share of US$1 each	100	100	–
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US$1 each	85	85	–
SWAN USA, Inc. (Holding company)	United States of America	100 common stocks of US$0.01 each	85	–	100
Richfield Hospitality Inc. (Investment holding and provision of hospitality related services)	United States of America	100 common stocks of US$1,000.01 each	85	–	100
Sceptre Hospitality Resources, LLC. (Provision of reservation system services)	United States of America	100 common stocks of US$0.01 each	43	–	51

** Incorporated on 6 May 2013.*

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16. INTERESTS IN SUBSIDIARIES (cont'd)

(a) Acquisition of interest in subsidiary

On 27 February 2012, the Group successfully acquired Whiteboard Labs, LLC ("WBL") and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources ("SHR"), in which the Group holds a 51% equity interest.

The effect of the acquisition on the financial statements for the year ended 31 December 2012 is set out below:

	The Group HK$'000
Property, plant and equipment (Note 12)	1,008
Intangible assets (Note 13)	18,201
Other receivables	465
Trade and other payables	(1,101)
Total identifiable net assets	18,573

Goodwill was recognised as a result of the acquisition as follows:

Consideration paid, satisfied in cash	10,082
Non-controlling interest, that entitle the holders to proportionate share of the acquiree's net assets on liquidation, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	15,743
Fair value of identifiable net assets	(18,573)
Goodwill	7,252

(b) Material non-controlling interest

The following table lists out the information relating to the consolidated results and financial position of SWAN Holdings Limited, its subsidiaries, joint arrangements and associates ("Swan"). Swan is the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	31 December 2013 HK$'000	31 December 2012 HK$'000
NCI percentage	**15%**	15%
Current assets	**196,910**	163,619
Non-current assets	**103,244**	103,540
Current liabilities	**(26,523)**	(24,088)
Non-current liabilities	**(31,229)**	(2,059)
Net assets	**242,402**	241,012
NCI of Swan's subsidiaries	**(9,929)**	(11,719)
Net assets attributable to equity shareholders of Swan	**232,473**	229,293
Carrying amount of NCI of Swan	**34,871**	34,394
Add: NCI of Swan's subsidiaries (as above)	**9,929**	11,719
Total carrying amount of NCI	**44,800**	46,113

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16. INTERESTS IN SUBSIDIARIES (cont'd)

(b) Material non-controlling interest (cont'd)

	For the year ended 31 December 2013 HK$'000	For the year ended 31 December 2012 HK$'000
Revenue	**99,235**	92,336
Profit/(Loss) and total comprehensive income for the year	**3,227**	(2,107)
Profit/(Loss) allocated to NCI of Swan	**484**	(316)
Cash flow from operating activities	**28,438**	(9,153)
Cash flow from investing activities	**(6,591)**	(8,635)
Cash flow from financing activities	**29,530**	–

17. INTEREST IN A JOINT OPERATION

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*
Line-by-line interest in net assets of joint operation that are combined to the Group, including line-by-line interest in goodwill as below	**9,734**	18,507
Line-by-line interest in goodwill that is combined to the Group	**1,694**	1,694

Details of the Group's net interest in the joint operation, which is accounted for in the consolidated financial statements using the accounting policy in note 1(f), are as follows:

Name of Joint operation/ Principal activities	Form of business structure	Place of operation	Proportion of ownership interest: Group's effective interest %	Proportion of ownership interest: Held by subsidiary %
Sheraton Chapel Hill hotel (Provision of hospitality related services)	Tenant-in-common agreement	USA	43	50

(a) Establishment of SWAN Carolina Investor, LLC as joint operator of Sheraton Chapel Hill

On 1 January 2013, to better reflect the joint operation arrangement with Shelbourne Falcon Investors, LP ("Shelbourne"), the Group revised the legal ownership structure as set out below.

The Group, through a newly incorporated indirect subsidiary, SWAN Carolina Investor, LLC ("SCI"), entered into a tenant-in-common agreement with SFI Carolina TIC SPE, LLC, a wholly-owned subsidiary of Shelbourne, to own an equal 50% tenant-in-common interest in Sheraton Chapel Hill hotel (the "Property") for the purpose of owning and operating the Property as a hotel and as an investment. The Group's interest in the Property was previously held through a 50% interest in RSF Carolina Investor Partners, LLC.

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17. INTEREST IN A JOINT OPERATION (cont'd)

(a) Establishment of SWAN Carolina Investor, LLC as joint operator of Sheraton Chapel Hill (cont'd)

The change in legal ownership structure does not have an impact on the Group's intention to jointly operate the Property with Shelbourne since the establishment of SCI. The Group continues to recognise its interest in the joint operation in accordance with the accounting policy in note 1(f).

(b) The table below summarises the Group's line-by-line interest in the results, assets and liabilities of the joint operation that had been combined into the Group's statement of financial position and consolidated statement of profit or loss.

	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*
Non-current assets	**41,366**	42,323
Current assets	**2,764**	2,355
Non-current liabilities	**(31,059)**	(23,344)
Current liabilities	**(3,337)**	(2,827)
Net assets	**9,734**	18,507

	For the year ended 31 December 2013 HK$'000	For the year ended 31 December 2012 HK$'000 *(restated)*
Turnover	**25,591**	24,038
Expenses	**(23,760)**	(23,365)
Profit for the year	**1,831**	673

18. INTEREST IN A JOINT VENTURE

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*
Share of net assets	**9,340**	10,404

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18. INTEREST IN A JOINT VENTURE (cont'd)

Details of the Group's net interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of Joint venture/ Principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital US$	Proportion of ownership interest Group's effective interest %	Held by subsidiary %
RSF Syracuse Partners, LLC (Provision of hospitality related services)	Incorporated	USA	6,911,000	43	50

Summarised financial information of RSF Syracuse Partners, LLC and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	31 December 2013 HK$'000	31 December 2012 HK$'000
Gross amounts of RSF Syracuse Partners, LLC		
Current assets	**14,198**	10,636
Non-current assets	**85,182**	92,670
Current liabilities	**(8,069)**	(8,614)
Non-current liabilities	**(72,631)**	(73,884)
Equity	**18,680**	20,808
Included in the above assets and liabilities:		
Cash and cash equivalents	**3,117**	6,162
Current financial liabilities (excluding trade and other payables and provisions)	**(1,250)**	(1,254)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(72,631)**	(73,884)
Reconciled to the Group's interest in RSF Syracuse Partners, LLC		
Gross amounts of net assets	**18,680**	20,808
Group's interest	**50%**	50%
Group's share of net assets, representing the carrying amount in the consolidated financial statements	**9,340**	10,404

	For the year ended 31 December 2013 HK$'000	For the year ended 31 December 2012 HK$'000
Gross amounts of RSF Syracuse Partners, LLC		
Revenue	**81,605**	79,154
Profit and total comprehensive income for the year	**4,377**	1,940
Dividend received from RSF Syracuse Partners, LLC	**3,257**	3,252
Included in the above profit:		
Depreciation and amortisation	**(8,712)**	(8,480)
Interest expense	**(5,673)**	(5,760)

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19. INTEREST IN ASSOCIATES

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000
Share of net assets	**8,673**	1,550

Details of the Group's interest in the associates are as follows:

Name of associate/ Principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital US$	Proportion of ownership interest: Group's effective interest %	Proportion of ownership interest: Held by subsidiary %
Cosmic Hospitality China Limited (Provision of hospitality related services)	Incorporated	China	400,000	43	50
S-R Burlington Partners, LLC (Provision of hospitality related services)	Incorporated	USA	2,970,281	27	32

All of the above are accounted for using the equity method in the consolidated financial statements. None of the associates are individually material to the Group. Aggregate information of the associates that are not individually material are as follows:

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**8,673**	1,550

	The Group	
	For the year ended 31 December 2013 HK$'000	For the year ended 31 December 2012 HK$'000
Aggregate amounts of the Group's share of those associates:		
Total comprehensive income	**357**	–

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20. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

The Group	Tax losses HK$'000	Deductible temporary differences HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 January 2012	19,982	1,945	21,927
(Charged)/Credited to profit or loss	(1,378)	2,725	1,347
Exchange adjustments	(8)	4	(4)
At 31 December 2012	18,596	4,674	23,270
At 1 January 2013	**18,596**	**4,674**	**23,270**
Charged to profit or loss	**(2,296)**	**(169)**	**(2,465)**
Exchange adjustments	**–**	**(1)**	**(1)**
At 31 December 2013	**16,300**	**4,504**	**20,804**

(b) Deferred tax assets not recognised:

The following temporary differences have not been recognised:

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000
Tax losses	**4,176**	4,144

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses do not expire under the respective countries' tax legislations.

21. TRADING SECURITIES

	The Group		The Company	
	31 December 2013 HK$'000	31 December 2012 HK$'000	31 December 2013 HK$'000	31 December 2012 HK$'000
Equity securities (at market value)				
- Listed outside Hong Kong				
- fellow subsidiaries	**87,977**	73,728	**87,977**	73,728
- non-related company	**7,018**	7,600	**7,018**	7,600
- Unlisted	**19,047**	11,822	**12,528**	7,668
	114,042	93,150	**107,523**	88,996

Included in trading securities is an amount of HK$6,519,000 (2012: HK$4,154,000) relating to investment securities held in respect of the Group's defined contribution plan (Note 26).

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22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*	31 December 2013 HK$'000	31 December 2012 HK$'000
Non-current				
Amount owing by a subsidiary, non-trade	**–**	–	**33,000**	–
Other receivables, non-current	**–**	–	**33,000**	–
Current				
Trade receivables	**18,285**	16,936	**–**	–
Less: Allowance for doubtful debts (Note 22(b))	**–**	(54)	**–**	–
	18,285	16,882	**–**	–
Other receivables and deposits	**6,504**	7,581	**38**	109
Amounts owing by subsidiaries, non-trade	**–**	–	**1,418**	663
Amounts owing by a joint operation, non-trade	**–**	23,255	**–**	–
Amounts owing by affiliated companies, non-trade	**1,054**	1,481	**–**	–
Loans and receivables	**25,843**	49,199	**1,456**	772
Prepayments	**8,624**	9,253	**272**	241
Trade and other receivables, current	**34,467**	58,452	**1,728**	1,013

Included in non-current amount owing by a subsidiary is a loan by the Company to a subsidiary with carrying amount of HK$33,000,000 (2012: nil) for which settlement is neither planned nor likely to occur in the foreseeable future. As the amount is in substance a part of the Company's net investment in a subsidiary, it is stated at cost less accumulated impairment losses.

The amounts owing by subsidiaries and affiliated companies are unsecured, interest-free and repayable on demand.

The amount owing by a joint operation was secured, interest-bearing and repayable on demand.

Affiliated companies comprise subsidiaries of the holding company.

(a) Ageing analysis

The ageing analysis of trade receivables (net of impairment losses) based on invoice date is as follows:

	The Group	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*
Current or less than 1 month overdue	**12,813**	8,378
1 to 3 months overdue	**5,061**	7,575
3 to 12 months overdue	**411**	929
	18,285	16,882

The Group's credit policy is set out in note 29. Trade receivables are due within 1 month from the date of billing.

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22. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2013	**2012**
	HK$'000	**HK$'000**
		(restated)
At 1 January	**54**	94
Impairment loss recognised	**–**	88
Allowance utilised	**(54)**	(141)
Exchange adjustments	**–**	13
At 31 December	**–**	54

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	31 December 2013	**31 December 2012**
	HK$'000	**HK$'000**
		(restated)
Neither past due nor impaired	**12,813**	7,368
Less than 1 month overdue	**–**	6,107
1 to 3 months overdue	**5,061**	1,461
3 to 12 months overdue	**411**	931
	5,472	8,499
	18,285	15,867

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers having a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*	31 December 2013 HK$'000	31 December 2012 HK$'000
Deposits with banks and other financial institutions	**245,821**	349,520	**163,101**	263,246
Cash at bank and in hand	**102,132**	26,932	**76,785**	13,112
Cash and cash equivalents in the statements of financial position	**347,953**	376,452	**239,886**	276,358
Less: Cash pledged for interest-bearing borrowings (Note 25)	**(1,209)**	–		
Cash and cash equivalents in the consolidated statement of cash flows	**346,744**	376,452		

The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period for the Group and the Company are 0.656% (2012: 0.704%) and 0.864% (2012: 0.823%) respectively. Interest rates re-priced within twelve months.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*	31 December 2013 HK$'000	31 December 2012 HK$'000
Trade payables	**2,659**	2,276	**–**	–
Other payables and accrued charges	**22,366**	19,214	**9,639**	8,516
Deferred income	**8,425**	10,953	**–**	–
Amounts owing to affiliated companies, non-trade	**–**	317	**–**	317
Amounts owing to subsidiary companies, non-trade	**–**	–	**19,436**	20,191
	33,450	32,760	**29,075**	29,024

All of the trade and other payables are expected to be settled within one year. The amounts owing to affiliated and subsidiary companies are unsecured, interest-free and repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period:

	The Group		The Company	
	31 December 2013 HK$'000	31 December 2012 HK$'000 *(restated)*	31 December 2013 HK$'000	31 December 2012 HK$'000
Due within 1 month or on demand	**20,718**	13,250	**6,993**	6,185
Due 1 to 3 months	**3,665**	5,913	**19,436**	20,191
Due 3 to 12 months	**9,067**	13,597	**2,646**	2,648
	33,450	32,760	**29,075**	29,024

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25. INTEREST-BEARING BORROWINGS

	The Group	
	31 December 2013 HK$'000	**31 December 2012 HK$'000** *(restated)*
Bank loans – secured	**31,756**	–
Finance lease liabilities	**357**	127
	32,113	127
Within 1 year	**884**	39
Between 1 and 2 years	**1,806**	88
Between 2 and 5 years	**2,767**	–
After 5 years	**26,656**	–
	32,113	127

On 26 April 2013, the Group, through its indirect subsidiary, SWAN Carolina Investor, LLC, and SFI Carolina TIC SPE, LLC entered into a ten-year term loan of US$8.6 million (approximately HK$66.7 million) to primarily re-finance its joint operation, Sheraton Chapel Hill Hotel.

The term loan is repayable over a period of 10 years with a final maturity date on 6 May 2023. It bears interest at a fixed rate of 4.21% per annum during the tenure of the term loan.

Security

The Group's line-by-line interest in the term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK$39.4 million as at 31 December 2013;
- assignments of all rights and benefits to sale, lease, agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;
- pledge of monies held in specific bank accounts of HK$1.2 million as at 31 December 2013 (Note 23); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Covenant

The Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(c). As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached.

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25. INTEREST-BEARING BORROWINGS (cont'd)

Non-recourse Carveout Guarantees

As of 31 December 2013, RHI and SWAN USA, Inc (the "Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation, joint venture and associate, as below:

a. RHI is a guarantor of indebtedness of the term loan entered into by Swan Carolina Investor, LLC and SFI Carolina TIC SPE, LLC as mentioned above. The term guarantee is through 6 May 2023.

b. RHI is also a guarantor of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee is through 31 July 2015.

c. RHI and Swan USA, Inc are guarantors of indebtedness of the term loan entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provides the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees was HK$249.6 million as at 31 December 2013.

The management is of the view that the possibility of violating the above covenants and triggering any cash outflow within the scope of the above guarantees is remote. In addition, the above indebtedness are non-recourse in nature and the carrying amount of the individual collateral is in excess of its respective outstanding loan amount.

26. EMPLOYEE RETIREMENT BENEFITS

In United States, the Group operates a defined contribution plan (the "Plan"). Under the Plan, employees may elect to contribute a percentage of their regular compensation to the Plan and to direct the distribution of these amounts among the Plan's investment options. The Group matches 50% of each employee's contributions up to a maximum of 3% of the employee's annual base compensation.

At the end of the reporting period, HK$6,519,000 (2012: HK$4,154,000) had been included in trading securities (Note 21).

27. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Notes to the Financial Statements

31 December 2013

27. CAPITAL AND RESERVES (cont'd)

(a) Movements in components of equity (cont'd)

The Company	Share capital HK$'000	Capital redemption reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
Balance at 1 January 2012	382,450	676	166,714	549,840
Changes in equity for 2012:				
Profit for the year	–	–	8,875	8,875
Total comprehensive income for the year	–	–	8,875	8,875
Balance at 31 December 2012	382,450	676	175,589	558,715
Balance at 1 January 2013	**382,450**	**676**	**175,589**	**558,715**
Changes in equity for 2013:				
Profit for the year	**–**	**–**	**15,208**	**15,208**
Total comprehensive income for the year	**–**	**–**	**15,208**	**15,208**
Balance at 31 December 2013	**382,450**	**676**	**190,797**	**573,923**

(b) Share capital

(i) Authorised and issued share capital

	The Company			
	2013		2012	
	No. of shares ('000)	HK$'000	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$1 each	**2,720,615**	**2,720,615**	2,720,615	2,720,615
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**382,450**	**382,450**	382,450	382,450

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

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

Notes to the Financial Statements

31 December 2013

27. CAPITAL AND RESERVES (cont'd)

(b) Share capital (cont'd)

(iii) Share option scheme

The Share Option Scheme (the "2005 Scheme") for eligible persons, including employees (including the Executive Directors) and non-executive Directors of the Company and its associates, was adopted by the Company on 27 April 2005 ("Adoption Date"). Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

Throughout the financial year, no share option was granted and outstanding.

(c) Nature and purpose of reserves

(i) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(d) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$190,797,000 (2012: HK$175,589,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net debt-to-adjusted capital ratio. It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

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28. FINANCIAL INSTRUMENTS BY CATEGORY

Set out below is an analysis of the Group's financial instruments:

	Note	Loan and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Available-for-sale financial assets HK$'000	Liabilities at amortised cost HK$'000
The Group					
31 December 2013					
Assets					
Available-for-sale financial assets	15	**–**	**–**	**32,996**	**–**
Trading securities	21	**–**	**114,042**	**–**	**–**
Trade and other receivables excluding prepayments	22	**25,843**	**–**	**–**	**–**
Bank deposits		**44,607**	**–**	**–**	**–**
Cash and cash equivalents	23	**347,953**	**–**	**–**	**–**
		418,403	**114,042**	**32,996**	**–**
Liabilities					
Trade and other payables excluding deferred income	24	**–**	**–**	**–**	**25,025**
Interest-bearing borrowings	25	**–**	**–**	**–**	**32,113**
		–	**–**	**–**	**57,138**
31 December 2012 *(restated)*					
Assets					
Trading securities	21	–	93,150	–	–
Trade and other receivables excluding prepayments	22	49,199	–	–	–
Cash and cash equivalents	23	376,452	–	–	–
		425,651	93,150	–	–
Liabilities					
Trade and other payables excluding deferred income	24	–	–	–	21,807
Interest-bearing borrowings	25	–	–	–	127
		–	–	–	21,934

Notes to the Financial Statements

31 December 2013

28. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

	Note	Loan and receivables	Financial assets at fair value through profit or loss	Liabilities at amortised cost
		HK$'000	HK$'000	HK$'000
The Company				
31 December 2013				
Assets				
Trading securities	21	**–**	**107,523**	**–**
Trade and other receivables excluding prepayments and loan to a subsidiary*	22	**1,456**	**–**	**–**
Cash and cash equivalents	23	**239,886**	**–**	**–**
		241,342	**107,523**	**–**
Liabilities				
Trade and other payables	24	**–**	**–**	**29,075**
31 December 2012				
Assets				
Trading securities	21	–	88,996	–
Trade and other receivables excluding prepayments	22	772	–	–
Cash and cash equivalents	23	276,358	–	–
		277,130	88,996	–
Liabilities				
Trade and other payables	24	–	–	29,024

* *Loan to a subsidiary relates to amount owing by a subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future.*

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

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31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 1 month from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities and with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

Bank deposits placed with a financial institution have maturity dates ranging from two to twenty-four months from the end of the reporting period. Given its high credit rating, management does not expect the financial institution to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, 20% (2012: 24%) and 35% (2012: 50%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the hospitality business segment.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

(b) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (Note 21).

The Group's listed equity investments are listed on the London Stock Exchange, NASDAQ Stock Market and The Philippines Stock Exchange, Inc. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

At 31 December 2013, a 4% (2012: 5%) increase in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period would increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by approximately HK$3,484,000 (2012: HK$3,639,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 4% (2012: 5%) decrease in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's and the Company's profit after tax and revenue reserve.

At 31 December 2013, a 4% (2012: 5%) increase in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period would increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by approximately HK$281,000 (2012: HK$381,000).

A 4% (2012: 5%) decrease in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's and the Company's profit after tax and revenue reserve.

Notes to the Financial Statements

31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(b) Equity price risk (cont'd)

In respect of the Group's equity investment listed on The Philippines Stock Exchange, Inc., based on the historical trend analysis, management does not expect significant equity price movements on this investment and hence, any significant impact on the Group's and the Company's profit after tax, revenue reserve and other components of consolidated equity, assuming that all other variables remain constant.

The Group also holds investments in unlisted marketable equity mutual funds. Included in such investments is an amount of HK$6,519,000 (2012: HK$4,154,000) relating to investments held in respect of the Group's defined contribution plan (Note 26). Any movement in the equity price would not have any impact on the Group's profit after tax as there would be an equal and opposite change in the staff costs (Note 4) in response to the changes in the equity price.

At 31 December 2013, a 4% (2012: 5%) increase in the net asset value of the remaining balance of the investments in unlisted marketable equity mutual funds at the end of the reporting period would increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by approximately HK$501,000 (2012: HK$383,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 4% (2012: 5%) decrease in the net asset value of the remaining balance in unlisted marketable equity mutual funds at the end of the reporting period, with all other variables held constant, would have had the equal but opposite effect on the Group's and the Company's profit after tax and revenue reserve.

The sensitivity analysis has been determined assuming that the reasonably possible changes in stock prices, net asset values or other risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price, net asset value or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2012.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

Except for the interest-bearing borrowings, the total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's long-term non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow				
The Group	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 5 years HK$'000**	**After 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
Non-derivative contractual liabilities					
31 December 2013					
Interest-bearing borrowings	**(2,158)**	**(8,631)**	**(33,722)**	**(44,511)**	**(32,113)**
31 December 2012 *(restated)*					
Interest-bearing borrowings	(47)	(94)	–	(141)	(127)

Notes to the Financial Statements

31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(d) Interest rate risk

The Group's interest rate risk arises primarily from its bank deposits and interest-bearing borrowings. Bank deposits and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The effective interest rates per annum relating to the bank deposits at the end of the reporting period are within 0.15% to 0.60% (2012: nil). The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period is set out in note 23.

The weighted average effective interest rates per annum relating to the borrowings at the end of the reporting period is 4.21% (2012: 7.5%).

(e) Currency risk

The Group is exposed to foreign currency risk through deposits and withdrawals of fixed deposits and borrowings, sales and purchases of the trading securities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to these risks are mainly Sterling Pound, Singapore Dollar, Philippine Peso, Renminbi and US Dollar.

When necessary, the Group uses forward exchange contracts to hedge its specific currency risks. However, forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments. As at the reporting date, the Group had no outstanding forward exchange contracts.

(i) Recognised assets and liabilities

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level.

(ii) Exposure to foreign currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate to.

	31 December 2013					31 December 2012				
	Sterling Pound '000	Singapore Dollar '000	Philippine Peso '000	Renminbi '000	US Dollar '000	Sterling Pound '000	Singapore Dollar '000	Philippine Peso '000	Renminbi '000	US Dollar '000
The Group										
Trading securities	**6,820**	**–**	**5,091**	**–**	**905**	5,818	–	4,995	–	980
Trade and other receivables	**2**	**1**	**–**	**9**	**–**	–	1	–	–	–
Cash and cash equivalents	**5,643**	**3,519**	**–**	**77,479**	**5,742**	5,625	4,237	–	76,184	10,705
Trade and other payables	**–**	**(153)**	**–**	**–**	**(29)**	–	(154)	–	–	(10)
Overall exposure arising from recognised assets and liabilities	**12,465**	**3,367**	**5,091**	**77,488**	**6,618**	11,443	4,084	4,995	76,184	11,675
The Company										
Trading securities	**6,820**	**–**	**5,091**	**–**	**905**	5,818	–	4,995	–	980
Trade and other receivables	**2**	**1**	**–**	**9**	**–**	–	1	–	–	–
Cash and cash equivalents	**5,643**	**3,519**	**–**	**77,479**	**5,742**	5,624	4,210	–	76,183	10,505
Trade and other payables	**–**	**(153)**	**–**	**–**	**(29)**	–	(154)	–	–	(10)
Overall exposure arising from recognised assets and liabilities	**12,465**	**3,367**	**5,091**	**77,488**	**6,618**	11,442	4,057	4,995	76,183	11,475

Notes to the Financial Statements

31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(e) Currency risk (cont'd)

(iii) Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date.

A 10% (2012: 10%) strengthening of the following foreign currencies against the functional currency of each of the Group's entities at the end of the reporting period would impact the Group's and the Company's profit after tax and revenue reserve by the amounts shown below. There is no impact on the other components of consolidated equity. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	Increase in profit after tax and increase in revenue reserve 2013 HK$'000	Increase in profit after tax and increase in revenue reserve 2012 HK$'000
The Group		
Sterling Pound	**15,917**	14,316
Singapore Dollar	**2,059**	2,590
Philippine Peso	**89**	94
Renminbi	**9,896**	9,469
US Dollar	**5,130**	9,050
The Company		
Sterling Pound	**15,917**	14,315
Singapore Dollar	**2,059**	2,572
Philippine Peso	**89**	94
Renminbi	**9,896**	9,469
US Dollar	**5,130**	8,895

A 10% (2012: 10%) weakening of the above currencies against the functional currency of each of the Group's entities at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, in particular, interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent the effect of the Group's and the Company's profit after tax and revenue reserve measured in the respective foreign currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2012.

Notes to the Financial Statements

31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value measurement

(i) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation techniques as follows:

- Level 1 valuations: fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

		Fair value measurements as at 31 December 2013 categorised into				Fair value measurements as at 31 December 2012 categorised into		
	Fair value at 31 December 2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value at 31 December 2012 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements								
Asset:								
The Group								
Equity securities held for trading:								
- Listed	**94,995**	**94,995***	**–**	**–**	81,328	81,328*	–	–
- Unlisted	**19,047**	**6,519+**	**–**	**12,528#**	11,822	4,154+	–	7,668#
	114,042	**101,514**	**–**	**12,528**	93,150	85,482	–	7,668
The Company								
Equity securities held for trading:								
- Listed	**94,995**	**94,995***	**–**	**–**	81,328	81,328*	–	–
- Unlisted	**12,528**	**–**	**–**	**12,528#**	7,668	–	–	7,668#
	107,523	**94,995**	**–**	**12,528**	88,996	81,328	–	7,668

* *Fair value of listed equity securities is based on quoted market prices of the listed equity securities at the end of the reporting period without any deduction for transactions costs.*

\+ *This unlisted equity securities relate to the Group's defined contribution plan. The plan invests in listed securities and hence the fair value of the plan follows the fair value of the underlying securities which can be measured using quoted price (unadjusted) in active markets.*

\# *The fair value of this unlisted held-for-trading equity securities is determined based on the net asset value of the fund, which had underlying unlisted investments categorised as Level 3 in the fair value hierarchy. The fair value of such underlying investments is determined based on inputs such as contractual agreements, current and projected operating performance, rounds of financing and third-party transactions, discounted cash flow analysis and market-based information, including comparable company transactions, trading multiples and changes in market outlook, among other factors.*

Notes to the Financial Statements

31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value measurement (cont'd)

(i) Financial instruments measured at fair value (cont'd)

During the years ended 31 December 2013 and 31 December 2012, there were no transfers between levels.

The movement in the Level 3 financial instruments measured at fair value is as follows:

Financial assets at fair value through profit or loss

	2013 HK$'000	2012 HK$'000
The Group and the Company		
At 1 January	**7,668**	8,406
Net unrealised gain/(loss) recognised in profit or loss	**4,860**	(738)
At 31 December	**12,528**	7,668

The gain or loss for the year recognised in profit or loss of the unlisted equity securities is presented in "other net gains" in the consolidated statement of profit or loss.

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. For fair value measurement in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

		Effect on fair value	
	Fair value HK$'000	Favourable changes HK$'000	Unfavourable changes HK$'000
Financial assets at fair value through profit or loss			
31 December 2013			
Equity securities	**12,528**	**20**	**(20)**
31 December 2012			
Equity securities	7,668	130	(130)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated based on the recent fluctuation in the underlying equity prices of the equity investment.

(ii) Financial instruments not measured at fair value but for which the fair value is disclosed.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 31 December 2012 except for available-for-sale equity securities and fixed rate borrowings.

- Fair value information has not been disclosed for the Group's available-for-sale equity securities that are carried at cost of HK$33.0 million because fair value cannot be measured reliably. These equity securities represent the capital contribution in a fund that is not quoted on any market. The Group does not intend to dispose this investment in the foreseeable future.

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31 December 2013

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value measurement (cont'd)

(ii) Financial instruments not measured at fair value but for which the fair value is disclosed (cont'd)

The carrying amounts, fair values and the level of fair value hierarchy of the fixed rate borrowings are as follows:

			Fair value measurements categorised into		
	Carrying amounts HK$'000	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
As at 31 December 2013	**(32,113)**	**(35,995)**	**–**	**(35,995)**	**–**
As at 31 December 2012 (restated)	(127)	(127)	–	(127)	–

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The interest rate used is as follows:

	The Group	
	31 December 2013	31 December 2012
Fixed rate borrowings	**2.8%**	6.0%

30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere, there were the following material related party transactions during the year:

	The Group	
	2013 HK$'000	2012 HK$'000
Dividend income received from affiliated companies	**1,802**	2,479
Income received from provision of hospitality and other related services to affiliated companies	**3,773**	5,084
Tax service fee paid to an affiliated company	**(403)**	(322)
Accounting fee paid to an affiliated company	**(374)**	(372)

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group	
	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**10,004**	9,760

Total remuneration is included in the administrative expenses.

Notes to the Financial Statements

31 December 2013

31. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2013 and 31 December 2012 not provided for in the financial statements were as follows:

	The Group	
	31 December 2013 HK$'000	**31 December 2012 HK$'000**
Commitment to make an investment in BEA Blue Sky Real Estate Fund L.P. (Note 15)	**160,778**	–

(b) At 31 December 2013 and 31 December 2012, the total future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	31 December 2013 HK$'000	**31 December 2012 HK$'000** *(restated)*
Within 1 year	**1,515**	1,523
After 1 year but within 5 years	**2,843**	3,572
	4,358	5,095

The above leases run for an initial period between one to three years. One of the leases includes an option to renew the lease on expiry. The leases do not include any contingent rental.

32. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate holding company is City Developments Limited. The Directors consider the ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd.. Both companies are incorporated in the Republic of Singapore. The immediate holding company produces financial statements available for public use.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 14 contains information about the assumptions and the risk factors relating to impairment of intangible assets (including goodwill).

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
Annual Improvements to to HKFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to to HKFRSs 2011–2013 Cycle	1 July 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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