



TAI SANG LAND DEVELOPMENT LIMITED

ANNUAL REPORT 2014

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BOARD OF DIRECTORS AND CORPORATE INFORMATION

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Mr. William MA Ching Wai, Chairman

Aged 61. Joined the Company and appointed a Director of the Company in 1974. Appointed Chairman of the Board of Directors in 1984. He is currently the Chairman of the board of directors of Kam Chan & Company, Limited and Tai Sang Bank Limited. He is also a member of the Association of Chairmen of the Tung Wah Group of Hospitals, life member of Yan Oi Tong Advisory Board, a member of Hong Kong Chiu Chow Chamber of Commerce, Committee Member of Hong Kong Juvenile Care Centre and a member of Sponsorship and Development Fund Committee of the Open University of Hong Kong. He was the Chairman of the 1978/1979 Board of Directors of Tung Wah Group of Hospitals. He was conferred the honour of Chevalier de L'Ordre du Merite Agricole in 2008. He is the brother of Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

Mr. Patrick MA Ching Hang, BBS, JP, BSc., Deputy Chairman

Aged 56. Joined the Company and appointed a Director of the Company in 1981. Appointed Deputy Chairman of the Board of Directors in 2005. He received a Bachelor Degree of Science in Economics from Wharton School of Business of the University of Pennsylvania. He is currently a director of Kam Chan & Company, Limited and Director and General Manager of Tai Sang Bank Limited. He is a Director of Hong Kong Chiu Chow Chamber of Commerce. He is a member of the Hospital Authority, Deputy Chairman of the Council of the Hong Kong Institute of Education, a member of The Chinese University of Hong Kong – C.W. Chu College Committee of Overseers and a member of Elderly Commission. He was the Chairman of the 2008/2009 Board of Directors of Tung Wah Group of Hospital. He was conferred the honour of Chevalier de L'Ordre National du Merite. He is the brother of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

Mr. Alfred MA Ching Kuen, BSc., Managing Director

Aged 62. Joined the Company and appointed a Director of the Company in 1976. Appointed Managing Director of the Company in 1984. He is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. He is the brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

Ms. Amy MA Ching Sau, BSc., Managing Director

Aged 64. Joined the Company and appointed a Director of the Company in 1974. Appointed Managing Director of the Company in 1991. She is currently a director of Kam Chan & Company, Limited. She is the sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

Mr. Philip MA Ching Yeung, BSc.(Hon), D.Mgt., Director

Aged 51. Joined the Company in 1987 and appointed a Director of the Company in 1997. He received a doctoral degree in management from the Asian College of Knowledge Management in 2010. He is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. He is the School Manager of Tung Wah Group of Hospitals Ma Kam Chan Memorial Primary School. He is also a member of World Fellow of The Duke of Edinburgh's Award, a member of Hong Kong Chiu Chow Chamber of Commerce, a member of Hong Kong United Youth Association, a member of The Entrepreneurs' Organization Hong Kong, a member of The Public Affairs Forum and a director of the Tung Wah Group of Hospitals. He is the brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Board of Directors (Continued)

Mr. Edward CHEUNG Wing Yui, BBS, BComm., CPA(Aust.), Solicitor of the Supreme Court of England, Solicitor of the Supreme Court of Hong Kong, Advocate and Solicitor of the Supreme Court of Singapore, Non-executive Director

Aged 65. Appointed a Director of the Company in 1983, re-designated as Non-executive Director since 21st May 2004. He received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia. He is a member of CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr Cheung is currently a non-executive director of Tai Sang Bank Limited. He is also an independent non-executive director of a number of companies listed on the Stock Exchange, namely Hop Hing Group Holdings Limited and Agile Property Holdings Limited. He is also a non-executive director of Tianjin Development Holdings Limited and SRE Group Limited and a non-executive director and vice chairman of SmartTone Telecommunications Holdings Limited and SUNeVision Holdings Ltd. In addition, he is currently a director of The Community Chest of Hong Kong, a court member of The Open University of Hong Kong, a member of the Labour and Welfare Department's Lump Sum Grant Steering Committee and Honorary Council Member of The Hong Kong Institute of Directors Limited. Mr Cheung was the deputy chairman of The Open University of Hong Kong until 19th June 2014, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance until 31st August 2013, a member of the Board of Review (Inland Revenue Ordinance) until 31st December 2010, the deputy chairman of the Hong Kong Institute of Directors Limited until 30th June 2010, a director of Po Leung Kuk and the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong.

Mr Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013.

Mr. Kevin CHAU Kwok Fun, BA, Independent Non-executive Director

Aged 54. Appointed an Independent Non-executive Director of the Company in 1996. He graduated with a Bachelor of Arts degree in Economics from the Wesleyan University in Connecticut, USA. He is currently the owner and Principal of KRC Projects Limited, a private investment company. He was the Executive Vice Chairman of Sincere Watch (Hong Kong) Limited ("Sincere Watch") (Stock Code 444) responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of Sincere Watch Group. Prior to joining Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC. He began his career in 1982 with a US bank in New York dealing in fixed income and derivative syndication and had been posted by the bank to their London and Tokyo offices. In 1990, he set up his own real estate investment company in California, USA, investing in real estate projects in Texas and California. Mr. Chau also served as director of the Tung Wah Group of Hospitals (2008).

Mr. TAN Soo Kiu, CPA(Aust.), Independent Non-executive Director

Aged 77. Appointed an Independent Non-executive Director of the Company in 2004. He is currently a retired person. He had been the General Manager of the Company for 11 years from 1991 to 2002 and had held various senior positions with banking institutions in Malaysia and Hong Kong for over 20 years before 1991.

Mr. William WONG Hing Kwok, MBA, Independent Non-executive Director

Aged 66. Appointed an Independent Non-executive Director of the Company in 2004. He is currently an owner of a company engaging in retail and food and beverage business in Shanghai, the PRC. He had various experience and exposures in different industries, including manufacturing of garment, property development, retail and food and beverage.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management

Mr. Ted MOK Tat Hung, Chief Executive

Aged 65. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. He has 47 years of experience in real estate development and management.

Ms. Katy MA Ching Man, BA, Company Secretary

Aged 65. Joined the Company and appointed a Director and also Company Secretary of the Company in 1972, she was a Director of the Company until 21st January 2013. She is now the Company Secretary of the Company. She is currently a director of Kam Chan & Company, Limited. She is the sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

Ms. Ruth MA Ching Keung, MBA, Director of Montgomery Lands, Incorporated

Aged 64. Joined the Company and appointed a Director of the Company in 1972, she was a Director of the Company until 21st January 2013. She is now the director of Montgomery Lands, Incorporated, a wholly owned subsidiary of the Company that operating in the United States. She is the sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Mr. Philip Ma Ching Yeung.

BANKERS:

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
HSBC Realty Credit Corporation (USA)
The Bank of East Asia, Limited
Tai Sang Bank Limited

SOLICITORS:

Woo, Kwan, Lee & Lo

AUDITORS:

PricewaterhouseCoopers

REGISTERED OFFICE:

11th Floor, Tai Sang Bank Building,
130-132 Des Voeux Road Central, Hong Kong.

REGISTRAR AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Hopewell Centre, 17th Floor,
183 Queen's Road East, Hong Kong.

WEBSITE ADDRESS:

www.tsld.com
www.irasia.com/listco/hk/taisangland/index.htm

CHAIRMAN'S STATEMENT

RESULT

I am pleased to report that the Group's consolidated profit for 2014 was HK\$632.1 million, an increase of 48.0% as compared to HK\$427.0 million for 2013. Earnings per share were HK\$2.16 (2013: HK\$1.44), a rise of 50.0% over last year. The consolidated profit for 2014 included fair value gains on investment properties (net of deferred tax) of HK\$588.7 million (2013: HK\$396.4 million).

The Group's underlying profit for 2014, excluding the effect of the aforesaid fair value gains on investment properties (net of deferred tax), was approximately HK\$43.4 million, increased by HK\$12.8 million or 41.8% as compared to the corresponding figure of HK\$30.6 million for 2013. The increase in the underlying profit was mainly attributable to the growth in the rental income from Hong Kong and the USA properties.

The revenues of the Group for 2014, was HK\$251.0 million, increased HK\$22.2 million or 9.7% as compared to HK\$228.8 million for 2013.

As at 31st December 2014, the investment properties of the Group were revalued at HK\$5,927.9 million (31st December 2013: HK\$5,254.7 million). Total equity amounted to HK\$5,798.7 million (31st December 2013: HK\$5,198.9 million).

DIVIDEND

The directors have resolved to recommend a final dividend of HK5 cents (2013: HK4 cents) per ordinary share.

PROSPECTS

The global economic growth is likely to remain moderate with the US economy picking up. Global currency devaluations and probable interest rate raise later in the year together will invariably affect the exports of China and in turn impose negative impact on the economy of Hong Kong.

The current local restrictive labour import policy has been a severe driving force in building cost hike and eventually imposes pressure onto labour cost in Hong Kong as a whole. The situation will worsen unless the government could introduce corrective measures in this respect soon.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy in the coming year and we remain cautiously optimistic in our operation.

In closing, I wish to thank my fellow directors for their valuable guidance and to all staff members for their dedication and hard work.

William Ma Ching Wai
Chairman

Hong Kong, 20th March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In Hong Kong, the gross rental income for the year ended 31st December 2014 was HK\$175.8 million, an increase of 10.7% or HK\$17.0 million as compared to last year. There was significant growth in the rental contribution from the shops and commercial sector of HK\$4.9 million or 19.3% as compared to 2013, as certain commercial units and shop spaces were rented out after renovation during the year. Moreover, the rental contribution from Gateway ts further increased HK\$8.9 million or 10.7% as compared to 2013 and the rental contribution from the residential and other industrial units also increased 6% as compared to 2013. The positioning of Gateway ts as a modernized logistic center is fruitful. However, the upgrading and improvement work of Gateway ts will still continue. The Group will endeavour to maintain the leasing conditions of Gateway ts while undergoing the renovation and modification works.

The hotel room charge income of Hotel LBP for the year ended 31st December 2014 was HK\$16.16 million, an increase of 4.3% or HK\$0.67 million as compared to last year. The occupancy rate for 2014 was stable at about 95% in average. The profit generated from the hotel operation for the year ended 31st December 2014 was HK\$1.81 million, a decrease of 11.2% or HK\$0.23 million as compared to last year due to the increase in operation cost. The contribution from hotel operation will stabilize for the coming year. To offer support to Hotel LBP, we have started a restaurant, Gees, in the same building of the hotel at the latter half of the year. Net loss in the region of \$2.5 million had been incurred in this startup stage of the restaurant. The situation will however be alleviated in 2015 as the customer bases increase with time.

In the USA, the gross rental income from Montgomery Plaza for the year ended 31st December 2014 was HK\$48.7 million, an increase of 4.7% or HK\$2.2 million as compared to last year. The office spaces occupancy rate of Montgomery Plaza rose to 97% by the year end of 2014 and the weighted average office rent per square feet per annum rose to US\$49.5. During 2014, San Francisco's office market accelerated with positive net absorption even though a significant amount of new space was added to the market. Rental rates are expected to increase in the coming year.

FINANCIAL RESOURCES

During the year, the Group's total bank borrowings and overdraft increased by HK\$130.8 million to HK\$736.3 million (2013: HK\$605.5 million). The total equity increased by HK\$599.8 million to HK\$5,798.7 million (2013: HK\$5,198.9 million) and the long term bank loans outstanding as at 31st December 2014 was HK\$272.9 million (2013: HK\$300.5 million). The debt to equity ratio was 12.7% (2013: 11.6%).

Other than the bank financing for hotel development at Heung Yip Road, Wong Chuk Hang which will be arranged during 2015, there are sufficient committed banking facilities available for the Group's current funding needs and future business requirements. The Group's financial position remains healthy. Exposure to foreign exchange risk is kept to a minimum as the bank borrowings are in either Hong Kong or US dollars.

The Group has adopted and maintained the policy of reliance on short-term finances which is more economical because of lower interest rate. In light of the low debt ratio and long term harmonious relationship with our bankers, the Group considers that this policy will continue to be used to lower the operation cost and the current policy will not impose any liquidity risks.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and US dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

	<u>2014</u>	<u>2013</u>
	HK\$'000	HK\$'000
- within one year	7,084	6,000
- in the second year	137,181	7,083
- in the third to fifth years	6,502	139,725
- after the fifth year	122,206	147,741
	<u>272,973</u>	<u>300,549</u>

The Group's bank borrowings of HK\$736.3 million (2013: HK\$605.5 million) are secured by certain properties with an aggregate carrying amount of HK\$4,365.7 million (2013: HK\$3,717.8 million) and the rental income thereon.

SIGNIFICANT INVESTMENT HELD AND THEIR PERFORMANCE AND FUTURE PROSPECTS

The Group held certain listed investments with fair value as at 31st December 2014 of HK\$44.5 million (at 31st December 2013: HK\$39.6 million).

The Group held certain unlisted investments with fair value as at 31st December 2014 of HK\$12 million (at 31st December 2013: HK\$12 million). It included 12% equity interest each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited and Yangtze China Investment Limited.

DETAILS OF NUMBER AND REMUNERATION OF EMPLOYEES

As at 31st December 2014, the Group employed a total of 182 full-time employees which included the directors of the Company. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

REPORT OF THE DIRECTORS

The directors of Tai Sang Land Development Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. The activities of the principal subsidiaries are shown in note 30 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5(c) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2014 are set out in the consolidated income statement on page 27 of this annual report.

The directors have declared an interim dividend of HK8 cents (2013: HK7 cents) per ordinary share, totalling HK\$23,013,574 (2013: HK\$20,136,877), which was paid on 24th September 2014.

The directors recommend the payment of a final dividend of HK5 cents (2013: HK4 cents) per ordinary share, totalling HK\$14,383,484 (2013: HK\$11,506,787).

The total dividends for the year ended 31st December 2014 amounted to HK13 cents (2013: HK11 cents) per ordinary share.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations of HK\$1,548,988 (2013: HK\$1,433,950).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties are set out in notes 6 and 7 to the consolidated financial statements respectively.

PRINCIPAL PROPERTIES

Details of the Group's significant properties are set out on pages 77 to 78 of this annual report.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

BORROWINGS

Particulars of the bank loans and overdrafts are shown in notes 14 and 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2014, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$545,000,670 (2013: HK\$532,988,314).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 79 of this annual report.

DIRECTORS

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

Executive directors:

William Ma Ching Wai	(Chairman)
Patrick Ma Ching Hang, BBS, JP	(Deputy Chairman)
Alfred Ma Ching Kuen	(Managing Director)
Amy Ma Ching Sau	(Managing Director)
Philip Ma Ching Yeung	

Non-executive director:

Edward Cheung Wing Yui, BBS

Independent non-executive directors:

Kevin Chau Kwok Fun
Tan Soo Kiu
William Wong Hing Kwok

In accordance with Article 103 of the Company's Articles of Association, Mr. William Ma Ching Wai, Ms. Amy Ma Ching Sau and Mr. Kevin Chau Kwok Fun retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 1 to 3 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' and senior management's emoluments are set out in note 21 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31st December 2014, the interests and short positions of each director and chief executive in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") or as notified to the Company were as follows:

Number of ordinary shares held

	Capacity		Total	Percentage
	Personal interest	Corporate interests (notes (a) and (b))		
Directors:				
William Ma Ching Wai	4,608,354	160,134,973	164,743,327	57.2682%
Patrick Ma Ching Hang	46,256	8,732,013	8,778,269	3.0515%
Alfred Ma Ching Kuen	9,987	–	9,987	0.0035%
Amy Ma Ching Sau	347,942	–	347,942	0.1210%
Philip Ma Ching Yeung	127,741	–	127,741	0.0444%
Edward Cheung Wing Yui	–	–	–	–
Kevin Chau Kwok Fun	–	–	–	–
Tan Soo Kiu	–	–	–	–
William Wong Hing Kwok	–	–	–	–
Chief Executive:				
Ted Mok Tat Hung	–	–	–	–

Notes:

- Kam Chan & Company, Limited ("Kam Chan & Co") and its associates and Holston Investment Limited directly or indirectly owned 138,996,736 and 21,138,237 ordinary shares in the Company respectively. Mr. William Ma Ching Wai is a substantial shareholder of these companies.
- Tai Sang International Limited directly owned 8,732,013 ordinary shares in the Company. Mr. Patrick Ma Ching Hang is a substantial shareholder of this company.
- Mr. Alfred Ma Ching Kuen beneficially held 9,886 shares (or 0.1765%) in the issued share capital of a subsidiary, Tai Sang Cold Storage & Godown Company Limited.
- Mr. Patrick Ma Ching Hang and Ms. Katy Ma Ching Man jointly and beneficially held 47 shares (or 0.94%); Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly and beneficially held 1 share (or 0.02%); and Mr. Alfred Ma Ching Kuen beneficially held 23 shares (or 0.46%) in the issued share capital of a subsidiary, Kam Hang Company Limited.
- In addition, certain directors of the Company held non-beneficial interests in subsidiaries in trust to the absolute benefit of the Company, the details of which are available for inspection at the Company's registered office.
- Other than as stated above, no directors or chief executive of the Company had any interest or short position in the shares or underlying shares of the Company or any of its associated corporation.
- At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire the benefits by acquisition of shares, or underlying shares of, the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2014, the interest and short position of substantial shareholders in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 336 of the SFO or as notified to the Company were as follows:

Number of ordinary shares held

	Capacity		Total	Percentage
	Personal interest	Corporate interests (note)		
Substantial shareholders:				
Kam Chan & Co	112,248,758	26,747,978	138,996,736	48.3182%
Holston Investment Limited	21,138,237	–	21,138,237	7.3481%
Gold Fortune Investment Co. Ltd.	15,488,636	–	15,488,636	5.3842%

All interests stated above represent long positions.

Note:

Gold Fortune Investment Co. Ltd, Suremark Limited (beneficially interested in 5,852,920 shares in the Company) and Montgomery Securities Limited (beneficially interested in 5,406,422 shares in the Company) are wholly owned subsidiaries of Kam Chan & Co. The aggregate shareholding of these three companies are deemed to be the corporate interest of Kam Chan & Co in the ordinary shares in the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the continuing connected transactions as mentioned in the section headed "Continuing Connected Transactions" below, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the purchases for the year attributable to the Group's major suppliers are as follows:

– the largest supplier	40.3%
– five largest suppliers	83.2%

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

During the year, the Group earned less than 30% of its turnover from its five largest customers.

CONTINUING CONNECTED TRANSACTIONS

- (a) On 13th April 2011, a tenancy agreement was entered into between Tai Sang Bank Limited (“TSB”) as landlord and the Company as tenant for the renewal of the leases of the office premises:

Located at 2nd floor, 9th floor, 10th floor, 11th floor and 14th floor of Tai Sang Bank Building

Term: 15th April 2011 to 14th April 2014

Rental: HK\$240,000 per month exclusive of rate and service charges

TSB is an associate of Kam Chan & Co (with Kam Chan & Co indirectly interested in more than 30% of its issued voting share capital) and is therefore a connected person of the Company under Rule 14A.11(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). Accordingly, the above tenancy agreement constitutes a continuing connected transaction of the Company for the purpose of the Listing Rules. As set out in the announcement of the Company dated 13th April 2011, the annual cap for the aggregate consideration payable under the tenancy agreement for the period from 1st January 2014 to 14th April 2014 is HK\$800,000. The aggregate amount paid by the Company to TSB under the tenancy agreements for the period from 1st January 2014 to 14th April 2014 was HK\$735,387.

On 7th April 2014, a tenancy agreement was entered into between TSB as landlord and the Company as tenant for the renewal of the leases of the office premises:

Located at 2nd floor, 9th floor, 10th floor, 11th floor and 14th floor of Tai Sang Bank Building

Term: 15th April 2014 to 14th April 2017

Rental: HK\$320,000 per month exclusive of rate and service charges

As set out in the announcement of the Company dated 7th April 2014, the annual cap for the aggregate amount payable under the previous tenancy agreement and the renewal tenancy agreement entered into on 7th April 2014 in respect of the office premises for the year ended 31st December 2014 is HK\$3,600,000. The aggregate amount paid by the Company to TSB under these tenancy agreements for the year ended 31st December 2014 was HK\$3,507,871.

- (b) On 18th December 2013, the Company entered into a master leasing agreement with Ms. Amy Ma Ching Sau (“Ms. Ma”) to set out the principal terms and conditions governing the entering into of tenancy agreements or licence agreements between the members of the Group and Ms. Ma and her associates (has the meaning ascribed to it under the Listing Rules) during the period from 1st January 2014 to 31st December 2016 (both days inclusive).

Ms. Ma is an executive director of the Company and she and her associates are therefore connected persons of the Company under Rule 14A.11(4) of the Listing Rules. Accordingly, the master lease agreement constitutes continuing connected transactions of the Company for the purpose of the Listing Rules. As set out in the announcement of the Company dated 18th December 2013, the annual caps for the aggregate consideration receivable by the Group from the leasing arrangements contemplated under the master leasing agreement for the year ended 31st December 2014 is HK\$2,100,000. The amount received by the Group under the master leasing agreement for the year ended 31st December 2014 was HK\$2,054,417.

CONTINUING CONNECTED TRANSACTIONS (Continued)

- (c) On 18th December 2013, the Company entered into a master leasing agreement with Kam Cheung Investment Company Limited (“Kam Cheung”), a 75% owned subsidiary of the Company, to set out the principal terms and conditions governing the leasing arrangements between Kam Cheung and the Company during the period from 1st January 2014 to 31st December 2016 (both days inclusive).

As each of the minority shareholders of Kam Cheung is an associate of the executive directors of the Company, within the meaning of Rule 14A.11(4)(c)(ii) of the Listing Rules, each of them is a connected person of the Company. Accordingly the master leasing agreement constitutes continuing connected transactions of the Company for the purpose of the Listing Rules. As set out in the announcement of the Company dated 18th December 2013, the annual caps for the aggregate consideration payable by the Company to Kam Cheung under the leasing arrangements contemplated under the master leasing agreement for the year ended 31st December 2014 is HK\$3,700,000. The aggregate amount paid by the Company under the master leasing agreement for the year ended 31st December 2014 was HK\$3,678,000.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

- (i) on normal commercial terms;
- (ii) in the ordinary and usual course of business of the Group; and
- (iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions as mentioned in paragraphs (a), (b) and (c) above in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a unmodified report containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group as mentioned in paragraphs (a), (b) and (c) above in accordance with paragraph 14A.38 of the Listing Rule. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25% of the Company’s issued shares as at date of this annual report.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

At 31st December 2014, all directors except for non-executive directors are directors and shareholders of Kam Chan & Co, which is also engaged in property investment, and may be in competition with the business carried on by the Group.

The directors are of the view that the Group is capable of carrying on its businesses independently from the property investment business. When making decisions on the property investment business, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended 31st December 2014.

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.

AUDITOR

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

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 20th March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

The Company has complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting year ended 31st December 2014.

DIRECTORS’ SECURITIES TRANSACTIONS

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

On specific enquires made, all directors confirmed that they had complied with the Model Code during the year ended 31st December 2014.

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprises five executive directors, one non-executive director and three independent non-executive directors (“INEDs”). The composition of the Board is set out as follows:

Executive directors	William Ma Ching Wai (<i>Chairman</i>) Patrick Ma Ching Hang (<i>Deputy Chairman</i>) Alfred Ma Ching Kuen Amy Ma Ching Sau Philip Ma Ching Yeung
Non-executive director	Edward Cheung Wing Yui
INEDs	Kevin Chau Kwok Fun Tan Soo Kiu William Wong Hing Kwok

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules that there are three INEDs and one of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise.

Each of the INEDs has provided an annual written confirmation of their independence that they meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

Biographical details of the directors and their relationships, where applicable, are set out on pages 1 to 2 of this annual report.

BOARD OF DIRECTORS (Continued)

Role of the Board

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on directors' appointment or re-appointment, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the day-to-day businesses of the Company to the management who works under the leadership and supervision of the Chief Executive and the Executive Committee of the Board.

The Executive Committee of the Board, comprises the Chairman, Deputy Chairman, two Managing Directors and one executive director. The Executive Committee meets regularly to review and discuss the performance of the Group, current plans and long term opportunities, and any other issues of immediate concern.

The non-executive directors (a majority of whom are independent) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee meetings.

Corporate Governance Functions

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

- (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 and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Board Meetings

Board meetings are held at least 4 times a year and involve the active participation, either in person or through other electronic means of communication, of a majority of directors. At least 14 days notice of the board meetings is given to all directors, and all directors are given an opportunity to include matters for discussion in the agenda. An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 4 days before the intended date of a full board meeting. They also have unrestricted access to the advice and service of the Company Secretary, who assists the Chairman in preparing the agenda for meetings, is responsible for providing directors with board papers and related materials and ensures that board procedures are followed.

According to the current Board practice, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened board meeting.

The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such director or any of his/her associates have a material interest.

BOARD OF DIRECTORS (Continued)

Directors' Training

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company Secretary also provides directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for directors in the form of seminar and reading materials. A summary of training received by directors during the year according to the records provided by the directors is as follows:

Directors	Corporate Governance/ Updates in Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Reading Materials	Attended Seminars/ Briefings	Reading Materials	Attended Seminars/ Briefings
Executive directors				
William Ma Ching Wai (<i>Chairman</i>)	✓	✓	✓	✓
Patrick Ma Ching Hang	✓	✓	✓	✓
Alfred Ma Ching Kuen	✓	✓	✓	✓
Amy Ma Ching Sau	✓	✓	✓	✓
Philip Ma Ching Yeung	✓	✓	✓	✓
Non-executive director				
Edward Cheung Wing Yui	✓	✓	✓	✓
INEDs				
Kevin Chau Kwok Fun	✓	✓	✓	✓
Tan Soo Kiu	✓	✓	✓	✓
William Wong Hing Kwok	✓	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

The positions of the Chairman and Chief Executive are held by separate individuals as to maintain an effective segregation of duties.

Mr. William Ma Ching Wai, the Chairman of the Board, provides leadership to the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner.

Mr. Ted Mok Tat Hung, the Chief Executive, is responsible for the day-to-day management of the Group's operations and conducts regular meetings with the Executive Committee, at which operational and business decisions are made. Other financial functions and financial performance evaluations are carried out jointly with Managing Directors.

NON-EXECUTIVE DIRECTORS

All non-executive directors have entered into letters of appointment with the Company for a specific term of three years. All non-executive directors are also subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Company's Articles of Association.

Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by shareholders.

BOARD COMMITTEES

The Board has established various committees, including Audit Committee, Remuneration Committee and Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members. The committees are required to report back to the Board on their decision and recommendations where appropriate. All the Board committees are empowered by the Board under their own terms of reference which have been posted on website of the Company and the Stock Exchange.

Audit Committee

Members:

INEDs	Tan Soo Kiu (<i>Chairman</i>) Kevin Chau Kwok Fun William Wong Hing Kwok
Non-executive director	Edward Cheung Wing Yui

The Audit Committee was established in March 1999. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The main responsibilities of the Audit Committee are to review and monitor the integrity of the Company's financial statements, annual report and interim report. Other responsibilities include making recommendations to the board on the appointment, reappointment and removal of the external auditor, approval of the external auditor's remuneration and terms of engagements, and to develop and implement policy on engaging an external auditor to supply non-audit services. The Audit Committee is also charged with overseeing the Company's financial reporting system and internal control procedures.

During the year, the Audit Committee held 2 meetings. The work performed by the Audit Committee during the financial year ended 31st December 2014 are summarised below:

- (i) reviewed annual report for the year ended 31st December 2013, and interim report for the six months ended 30th June 2014;
- (ii) proposed the appointment of PricewaterhouseCoopers ("PwC") as Independent Auditor of the Company;
- (iii) reviewed and discussed with the Independent Auditor in respect of the consolidated financial statements for the year ended 31st December 2013 and the interim financial information for the six months ended 30th June 2014; and
- (iv) reviewed and assessed the adequacy and effectiveness of the Group's financial controls and internal controls and risk management systems.

BOARD COMMITTEES (Continued)

Remuneration Committee

Members:

INEDs William Wong Hing Kwok (*Chairman*)
Tan Soo Kiu

Executive director Amy Ma Ching Sau

The Remuneration Committee was established in April 2005. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive directors and senior management. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of directors and senior management.

During the year, the Remuneration Committee held 2 meetings. The Remuneration Committee reviewed the remuneration policy for executive directors and senior management of the Company, and made recommendations on the Group's bonus structure, retirement benefit scheme and other compensation related issues.

Nomination Committee

Members:

Executive director William Ma Ching Wai (*Chairman*)

INEDs Kevin Chau Kwok Fun
William Wong Hing Kwok

The Nomination Committee of the Company was established in March 2012. The terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors in accordance with Rule 3.13 of the Listing Rules.

During the year, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure and composition of the Board, recommended the re-election of the retiring directors and assessed the independence of all the INEDs.

The Nomination Committee is also responsible to review the Board Diversity Policy, when appropriate to ensure the effectiveness of the Board Diversity Policy and will discuss any revisions that may be required to be considered and approved by the Board.

BOARD COMMITTEES (Continued)

Board Diversity Policy

The Company recognises the importance and the benefit of having a diverse Board that fits its own business model and specific needs in order to achieve its corporate goals and strategies. A number of factors, including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge, will be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Company's corporate goals and strategic objectives. The Company also sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company does not discriminate on the grounds of race, gender, disability, age, religions or any other factor.

The Company aims to ensure that Board appointments will be made on the basis of a range of diversity factors, including those set out above. Selection of candidates to join the Board will be, in part, dependent on the pool of available candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board, having regard for the benefits of diversity on the Board.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of directors	Number of Meetings Attended/ Eligible to attend for the year ended 31st December 2014				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive directors					
William Ma Ching Wai (<i>Chairman</i>)	4/4	2/2		1/1	1/1
Patrick Ma Ching Hang	4/4				0/1
Alfred Ma Ching Kuen	4/4				1/1
Amy Ma Ching Sau	4/4		2/2		1/1
Philip Ma Ching Yeung	4/4				1/1
Non-executive director					
Edward Cheung Wing Yui	4/4	2/2			1/1
INEDs					
Kevin Chau Kwok Fun	4/4	2/2		1/1	1/1
Tan Soo Kiu	4/4	2/2	2/2		1/1
William Wong Hing Kwok	4/4	2/2	2/2	1/1	1/1

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Board is responsible for the preparation of the consolidated financial statements that give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for such reporting period. The consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. Appropriate accounting policies have also been used and applied consistently except for the adoption of the new and revised HKFRSs.

The reporting responsibilities of directors and external auditor are set out in the Independent Auditor's Report on page 23 of this annual report.

Internal Controls and Risk Management

The Board is responsible for the designing, implementing and maintaining internal controls of the Group and for reviewing its effectiveness through the Audit Committee. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

Evaluation of the Group's internal controls is conducted by the Internal Auditor on an on-going basis. Such evaluation covers material internal controls, including financial reporting, operational and compliance controls and risk management functions. Internal Auditor will report to the Audit Committee twice a year on significant findings on internal controls. Copy of minutes of the Audit Committee meeting will also be sent to the Board for information.

Auditors' Remuneration

The fees in respect of audit and audit related services provided to the Company and its subsidiaries by PwC and other auditors were HK\$1,949,000 and HK\$511,056 respectively for the year. Fees for non-audit services, which mainly consist of taxation services, provided by PwC and other auditors were HK\$343,000 and HK\$177,762 respectively.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. The biography of the Company Secretary is set out on page 3 of this annual report.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting ("EGM")

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 11th Floor, Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong for the attention of the Company Secretary in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

SHAREHOLDERS' RIGHTS (Continued)

Convening Extraordinary General Meeting ("EGM") (Continued)

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Any reasonable expenses incurred by the shareholder(s) requesting the meeting by reason of the failure of the Directors duly to convene a meeting will be reimbursed to shareholder(s) by the Company.

Putting Forward Proposals at Shareholders' Meetings

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

- (i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.
- (ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 11th Floor, Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong for the attention of the Company secretary in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board through the Company Secretarial Department at 11/F., Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong (email: shareholderenquiry@tsld.com).

INVESTORS RELATION

Constitutional Documents

During the year, there is no significant change in the Company's constitutional documents.

There were major statutory changes (collectively, the "Statutory Changes") came into operation on 3rd March 2014 may have impacts on the provisions contained in the Articles of Association of the Company (the "Articles"):

- (a) the new Companies Ordinance, Chapter 622 of the Laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") (the "New Companies Ordinance") has replaced the old Companies Ordinance, and the major changes include, inter alia, abolishing the par value for shares, abolishing the memorandum of association and regarding conditions in the memorandum of association of existing companies as provisions of the articles of association, removing the power to issue warrants to bearer, removing the power to convert shares into stock, requiring the company to give reasons for declining to register a transfer of shares upon request, reducing the threshold for demanding a poll, making the keeping and use of a common seal optional and deeming consent from members to receive corporate communications via the company's website; and
- (b) the old Companies Ordinance has been retitled as Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which retains the provisions dealing with company winding-up and insolvency, disqualification of directors as well as prospectus related matters.

In order to bring the Articles in line with the Statutory Changes, the Board proposes to make amendments to the existing Articles as announced on 20th March 2015.

In view of the amount of amendments proposed to be made to the existing Articles, the Board proposes that a new set of Articles with all proposed amendments to the existing Articles incorporated (the "New Articles") be adopted to replace the existing Articles. The proposed adoption of the New Articles is subject to the approval of the Shareholders by way of a special resolution at the annual general meeting of the Company to be held on 18th May 2015 (the "Annual General Meeting"). A circular, containing, among other things, particulars relating to the changes to the existing Articles brought about by the adoption of the New Articles together with a notice convening the Annual General Meeting will be dispatched to the Shareholders in due course.

Communication with Shareholders

The Board and senior management maintain an on-going dialogue with the Company's shareholders and investors and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

The Chairman of the Board will attend the AGM and he will invite the chairmen of the audit committee, remuneration committee and nomination committee to attend. In their absence, the Chairman of the Board will invite another member of the committee or failing this his duly appointed delegate, to attend. These persons will be available to answer questions at the AGM.

The senior management will ensure the external auditor attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 20th March 2015

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TAI SANG LAND DEVELOPMENT LIMITED (incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tai Sang Land Development Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 24 to 76, which comprise the consolidated and Company balance sheets as at 31st December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March 2015

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2014

	Note	2014 HK\$	2013 HK\$
Non-current assets			
Property, plant and equipment	6	757,441,914	617,203,797
Investment properties	7	5,927,857,800	5,254,671,600
Available-for-sale financial assets	9	56,488,824	51,597,244
Prepayments		6,479,729	7,493,904
		<u>6,748,268,267</u>	<u>5,930,966,545</u>
Current assets			
Properties for sale	10	100,788,507	101,330,940
Inventory		39,243	–
Debtors and prepayments	11	22,112,573	19,689,497
Current income tax recoverable		568,401	766,190
Cash and cash equivalents	12	40,637,428	59,845,788
		<u>164,146,152</u>	<u>181,632,415</u>
Current liabilities			
Rental and other deposits		59,584,890	50,848,787
Creditors and accruals	13	46,939,563	50,581,402
Current income tax liabilities		27,679,734	27,098,591
Short term bank loans – secured	14	462,800,000	300,791,667
Bank overdrafts – secured	14	527,552	4,181,219
Current portion of long term bank loans – secured	15	7,083,654	6,000,000
		<u>604,615,393</u>	<u>439,501,666</u>
Net current liabilities		<u>(440,469,241)</u>	<u>(257,869,251)</u>
Total assets less current liabilities		<u>6,307,799,026</u>	<u>5,673,097,294</u>
Non-current liabilities			
Long term bank loans – secured	15	265,889,000	294,549,035
Deferred income tax liabilities	16	243,221,098	179,628,736
		<u>509,110,098</u>	<u>474,177,771</u>
Net assets		<u>5,798,688,928</u>	<u>5,198,919,523</u>

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		HK\$	HK\$
Equity			
Equity attributable to the Company's owners			
Share capital	17	417,321,278	287,669,676
Reserves	18	5,186,078,822	4,729,737,452
Proposed dividends	18	14,383,484	11,506,787
		<u>5,617,783,584</u>	<u>5,028,913,915</u>
Non-controlling interests		<u>180,905,344</u>	<u>170,005,608</u>
Total equity		<u><u>5,798,688,928</u></u>	<u><u>5,198,919,523</u></u>

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 31 to 76 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31ST DECEMBER 2014

	Note	2014 HK\$	2013 HK\$
Non-current assets			
Property, plant and equipment	6	1,199,672	2,942,066
Investment properties	7	635,000,000	540,000,000
Subsidiaries	8	497,810,815	501,025,100
Available-for-sale financial assets	9	223,280	199,603
		<u>1,134,233,767</u>	<u>1,044,166,769</u>
Current assets			
Debtors and prepayments	11	1,913,662	1,721,778
Amounts due from subsidiaries	8	501,596,781	469,252,267
Cash and cash equivalents	12	4,101,046	5,785,408
		<u>507,611,489</u>	<u>476,759,453</u>
Current liabilities			
Rental and other deposits		5,300,146	5,099,046
Creditors and accruals	13	6,389,727	5,979,426
Amounts due to subsidiaries	8	53,766,230	40,494,631
		<u>65,456,103</u>	<u>51,573,103</u>
Net current assets		<u>442,155,386</u>	<u>425,186,350</u>
Net assets		<u>1,576,389,153</u>	<u>1,469,353,119</u>
Equity			
Equity attributable to the Company's owners			
Share capital	17	417,321,278	287,669,676
Reserves	18	1,144,684,391	1,170,176,656
Proposed dividends	18	14,383,484	11,506,787
Total equity		<u>1,576,389,153</u>	<u>1,469,353,119</u>

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 31 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	2014 HK\$	2013 HK\$
Revenues	5(a)	251,007,209	228,840,700
Cost of sales	19	(78,683,398)	(73,006,208)
Gross profit		172,323,811	155,834,492
Fair value gains on investment properties	7	644,698,812	432,210,187
Other income/(loss), net	20	1,585,806	(869,359)
Administrative expenses	19	(94,208,553)	(86,428,517)
Other operating expenses	19	(11,801,268)	(19,017,373)
Operating profit		712,598,608	481,729,430
Finance income	22	43,495	48,656
Finance costs	22	(12,894,064)	(10,424,455)
Finance costs, net		(12,850,569)	(10,375,799)
Profit before income tax		699,748,039	471,353,631
Income tax expense	23	(67,653,067)	(44,391,143)
Profit for the year		632,094,972	426,962,488
Attributable to:			
Owners of the Company	18, 24	620,250,411	414,960,659
Non-controlling interests		11,844,561	12,001,829
		632,094,972	426,962,488
Earnings per share (basic and diluted)	25	HK\$2.16	HK\$1.44
Dividends	26	37,397,058	31,643,664
Dividends per share	26		
Interim – paid		HK\$ 8 cents	HK\$ 7 cents
Final – proposed		HK\$ 5 cents	HK\$ 4 cents
Total		HK\$ 13 cents	HK\$ 11 cents

The notes on pages 31 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	2014	2013
		HK\$	HK\$
Profit for the year		632,094,972	426,962,488
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Net fair value gain/(loss) on available-for-sale financial assets		4,467,302	(7,819,567)
Exchange translation differences	18	3,292	3,601
Other comprehensive income for the year		4,470,594	(7,815,966)
Total comprehensive income for the year		636,565,566	419,146,522
Total comprehensive income attributable to:			
Owners of the Company	18	623,390,030	407,194,735
Non-controlling interests		13,175,536	11,951,787
		636,565,566	419,146,522

The notes on pages 31 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	2014 HK\$	2013 HK\$
Operating activities			
Net cash generated from operations	27	94,357,049	67,531,945
Hong Kong profits tax paid		(3,739,260)	(7,184,817)
Hong Kong profits tax refunded		470,747	323,860
Overseas taxation paid		(13,260)	(13,697)
Net cash from operating activities		91,075,276	60,657,291
Investing activities			
Additions of property, plant and equipment and prepayments		(62,192,074)	(11,995,621)
Additions of investment properties and prepayments		(127,951,607)	(64,873,070)
Additions of available-for-sale financial assets		(366,778)	-
Proceeds on disposal of property, plant and equipment		2,319,081	444,250
Interest received		43,495	48,656
Dividends received		2,093,677	1,299,613
Net cash used in investing activities		(186,054,206)	(75,076,172)
Financing activities			
Interest paid		(16,382,894)	(14,373,810)
Draw down of bank loan		162,000,000	98,460,984
Repayments of bank loans		(29,400,000)	(2,929,354)
Dividends paid to shareholders		(34,520,361)	(43,150,451)
Dividends paid to non-controlling shareholders of subsidiaries		(2,275,800)	(2,153,300)
Net cash from financing activities		79,420,945	35,854,069
Net (decrease)/increase in cash and cash equivalents		(15,557,985)	21,435,188
Exchange translation differences		3,292	3,601
Cash and cash equivalents at 1st January		55,664,569	34,225,780
Cash and cash equivalents at 31st December		40,109,876	55,664,569
Analysis of the balances of cash and cash equivalents			
Bank balances and cash and restricted bank deposits		40,637,428	59,845,788
Bank overdrafts		(527,552)	(4,181,219)
		40,109,876	55,664,569

The notes on pages 31 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2014

Attributable to owners of the Company

	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Retained profits	Total reserves	Non- controlling interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2014	287,669,676	129,651,602	21,815,807	7,245,862	4,582,530,968	4,741,244,239	170,005,608	5,198,919,523
Total comprehensive income for the year	-	-	3,136,327	3,292	620,250,411	623,390,030	13,175,536	636,565,566
Transition to no par value regime on 3rd March 2014	129,651,602	(129,651,602)	-	-	-	(129,651,602)	-	-
Transactions with owners - dividends paid	-	-	-	-	(34,520,361)	(34,520,361)	(2,275,800)	(36,796,161)
At 31st December 2014	<u>417,321,278</u>	<u>-</u>	<u>24,952,134</u>	<u>7,249,154</u>	<u>5,168,261,018</u>	<u>5,200,462,306</u>	<u>180,905,344</u>	<u>5,798,688,928</u>
At 1st January 2013	287,669,676	129,651,602	29,585,332	7,242,261	4,210,720,760	4,377,199,955	160,207,121	4,825,076,752
Total comprehensive income for the year	-	-	(7,769,525)	3,601	414,960,659	407,194,735	11,951,787	419,146,522
Transactions with owners - dividends paid	-	-	-	-	(43,150,451)	(43,150,451)	(2,153,300)	(45,303,751)
At 31st December 2013	<u>287,669,676</u>	<u>129,651,602</u>	<u>21,815,807</u>	<u>7,245,862</u>	<u>4,582,530,968</u>	<u>4,741,244,239</u>	<u>170,005,608</u>	<u>5,198,919,523</u>

The notes on pages 31 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Tai Sang Land Development Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in property investment, property rental, property development, estate management and agency, hotel operation and restaurant operation.

The Company is a limited liability company incorporated in Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollar (HK\$), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 20th March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets at fair value.

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

The Group had net current liabilities of HK\$440,469,241 as at 31st December 2014. The current liabilities mainly included short term bank loans of HK\$462,800,000. Based on the Group’s history of refinancing, its available banking facilities and its assets backing, the directors consider that the Group will be able to obtain sufficient financial resources so as to enable it to operate and meet its liabilities as and when they fall due. The directors believe that the Group will continue as a going concern and consequently prepared the consolidated financial statements on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. There are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Adoption of new HKFRSs

In 2014, the Group adopted the following new standards, interpretations, and amendments to existing standards (collectively the “new HKFRSs”) issued by the HKICPA, which are effective for the financial year ended 31st December 2014 and are relevant to the Group’s operation:

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Disclosures – Recoverable Amount of Impaired Assets
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities
HKFRSs (Amendment)	Annual Improvements 2012

The above HKFRSs amendments to standards are mandatory for accounting periods beginning on or after 1st January 2014. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3rd March 2014 in accordance with section 358 of that Ordinance, i.e. for the year ending 31st December 2015. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

Standards, amendments and improvements to existing standards that are not yet effective for the year ended 31st December 2014 and have not been early adopted by the Group

The HKICPA has issued certain new HKFRSs which are relevant to the Group’s operations but are not yet effective for the year ended 31st December 2014. The Group has not early adopted these standards in the consolidated financial statements.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1st January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKAS 19 (Amendment)	Defined Benefit Plans	1st July 2014
HKAS 27 (Amendment)	Separate Financial Statements Regarding the Equity Method	1st January 2016
HKFRS 10 and HKAS 28 (Amendment)	The Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1st January 2016
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
HKFRSs (Amendment)	Annual Improvements 2013	1st July 2014
HKFRSs (Amendment)	Annual Improvements 2014	1st July 2016

The Group will apply the above new HKFRSs when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial financial impact will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December 2014.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred. The excess of the consideration transferred and the fair value of non-controlling interest over the net assets acquired and liabilities assumed is recorded as goodwill. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

The results and financial positions of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holding of the Company are reclassified to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

(i) Leasehold land classified under finance lease and freehold land

Leasehold land classified as finance lease are stated at cost less accumulated depreciation and impairment losses. Freehold land is stated at cost less accumulated impairment losses. No depreciation is provided for freehold land.

Depreciation of leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. The depreciation is calculated using the straight-line basis over the remaining period of the leases.

(ii) Buildings

Buildings are stated at cost less accumulated depreciation and impairment losses.

Depreciation of buildings is provided to write off the cost less impairment losses and residual value on a straight-line basis over 15 to 40 years.

(iii) Property under development

Property under development are interest in land and building on which construction work has not been completed. Property under development is carried at cost which includes land cost, development and construction expenditure and other direct costs attributable to the development less any impairment losses.

(iv) Plant and equipment

Plant and equipment, comprising plant and machinery, furniture and equipment and motor vehicles, are stated at cost less accumulated depreciation and impairment losses.

Depreciation of plant and equipment is calculated using straight-line method to allocate cost to their residual values over their estimated useful lives of 3 to 10 years.

(v) Leasehold improvement

Leasehold improvement is stated at cost less accumulated depreciation and impairment losses.

Depreciation of leasehold improvement is calculated using straight-line method to allocate cost to their residual value over the shorter of the lease term or estimated useful lives of 5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

(vi) Subsequent costs, residual value, useful lives and disposal

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(f) Investment properties

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

Investment property comprises freehold land, leasehold land and buildings. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Changes in fair value are recognised in the income statements. The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Subsequent expenditure is included to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of non-financial assets and investments in subsidiaries

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

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

(h) Financial assets

The Group classifies its financial assets in the following two categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets when the maturities are greater than 12 months after the balance sheet date.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investments mature or management intends to dispose them within 12 months from the balance sheet date.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques which refer to observable market data and are commonly used by market participants.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(ii) Available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises development expenditure and other associated expenditures, including interest capitalised. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities within three months and bank overdrafts.

(n) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(o) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(q) Contingent liabilities and contingent assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Contingent liabilities and contingent assets (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Revenue and income recognition

The Group recognises income on the following bases:

(i) Rental income

Rental income is recognised on a straight-line basis over the terms of the lease agreements.

(ii) Agency commission and management fees

Agency commission and management fees are recognised when services are rendered.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Income on sale of investments

Income on sale of investments is recognised when the title to the investments is passed to the purchaser.

(v) Income on sale of properties

Income on sale of properties is recognised on the transfer of risks and rewards of ownership.

(vi) Income from hotel operations

Income from hotel operations is recognised when services are rendered.

(vii) Sales of food and beverages

Sales of food and beverages are recognised at the point of sale to customers.

(viii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Retirement benefit obligations

The Group's contributions to the defined contribution retirement schemes are available to all employees in Hong Kong and the United States of America ("US"). The assets of the schemes are held separately from those of the Group in independently administered funds.

The US subsidiaries, which participate in the US government benefit schemes, are required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

The Group's contributions to the aforesaid defined contribution retirement schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective territories and are charged to the income statement as incurred.

Employee entitlements to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the balance sheet date. The provision for long service payments is included as liabilities in the financial statements.

(t) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the issue of a financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

(v) Operating leases

Leases where substantially all the risks and rewards of ownership are remained with the lessors are classified as operating leases.

(i) Leases – where the Group is the lessor

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group’s revenue recognition policies, as set out in note 2(r)(i) above.

(ii) Leases – where the Group is lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

(w) Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the financial statements in the period in which the final dividends and interim dividends are approved by the Company’s shareholders and board of directors respectively.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk.

(i) Foreign exchange risk

The Group operates in the US and Hong Kong and is primarily exposed to foreign exchange risk arising from US dollar ("US\$"). The foreign exchange risk exposure is considered to be minimal to the Group because Hong Kong dollar is pegged to US dollar.

(ii) Credit risk

Credit risk arises from the carrying amount of cash and cash equivalents and debtors. The maximum exposure to credit risk at the reporting date is limited because the Group regularly performs risk control assessment on the credit quality of the debtors. Furthermore, the Group only places cash deposits into licensed banks with no history of defaults. The Group has no significant concentrations of credit risk with any counterparty.

In respect of the credit risk arises from the guarantees to banks for credit facilities granted to the subsidiaries, taking into account the financial position of the subsidiaries and the other collaterals pledged to the banks, the risk is considered insignificant.

(iii) Liquidity risk

The Group adopts a prudent liquidity risk management and maintains sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities.

At 31st December 2014, the Group's net current liabilities amounted to HK\$440,469,241 (2013: HK\$257,869,251). Based on the Group's history of refinancing, the directors consider that the Group will be able to refinance its existing short term bank loans and obtain sufficient financial resources so as to satisfy its working capital requirements, provision for payments of liabilities as and when they fall due and its future capital commitments. Management also reviewed the compliance of loan covenants as at 31st December 2014 and no non-compliance of covenants was noted. The directors has been closely monitored the expected liquidity requirements to ensure the maintenance of sufficient reserves of cash and adequate committed lines of funding.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for bank borrowings, balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2014

	Group				Company
	Within one year	In the second year	In the third to fifth years	After the fifth year	Within one year
	HK\$	HK\$	HK\$	HK\$	HK\$
Rental and other deposits	59,584,890	-	-	-	5,300,146
Creditors and accruals	46,939,563	-	-	-	6,389,727
Amounts due to subsidiaries	-	-	-	-	53,766,230
Bank overdrafts	527,552	-	-	-	-
Short term bank loans	475,219,200	-	-	-	-
Long term bank loans	11,607,266	144,667,364	13,509,085	123,956,270	-
Financial guarantees	-	-	-	-	607,527,552
	<u>593,878,471</u>	<u>144,667,364</u>	<u>13,509,085</u>	<u>123,956,270</u>	<u>672,983,655</u>

2013

	Group				Company
	Within one year	In the second year	In the third to fifth years	After the fifth year	Within one year
	HK\$	HK\$	HK\$	HK\$	HK\$
Rental and other deposits	50,848,787	-	-	-	5,099,046
Creditors and accruals	50,581,402	-	-	-	5,979,426
Amounts due to subsidiaries	-	-	-	-	40,494,631
Bank overdrafts	4,181,219	-	-	-	-
Short term bank loans	309,267,300	-	-	-	-
Long term bank loans	9,585,000	11,940,954	155,135,919	152,455,005	-
Financial guarantees	-	-	-	-	455,181,219
	<u>424,463,708</u>	<u>11,940,954</u>	<u>155,135,919</u>	<u>152,455,005</u>	<u>506,754,322</u>

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Interest rate risk

The Group is primarily exposed to interest rate risk arising from bank borrowings. The Group's policy is to maintain all its bank borrowings in floating rate instruments except when management's objectives are to limit the impact of interest rate changes on earnings and cash flow and to lower overall borrowings. The Group will attempt to refinance by fixed rate borrowings at a lower rate if and when available.

At 31st December 2014, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been decreased/increased by HK\$636,000 (2013: HK\$528,000) before taking account of interest capitalisation, mainly as a result of higher/lower interest expense on floating rate borrowings.

(v) Price risk

The Group is exposed to equity securities price risk for the Group's available-for-sale financial assets. The performance of the Group's investments is closely monitored, together with an assessment of their relevance to the Group's long term strategic plans.

At 31st December 2014, if the fair value of the equity securities had been 10% higher/lower with all other variances held constant, profit after income tax for the year would have been increased/decreased by HK\$1,100,000 (2013: HK\$1,100,000) and the investment revaluation reserve would have been increased/decreased by HK\$4,449,000 (2013: HK\$3,960,000).

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt (total borrowings) to equity (total equity) ratio. The debt to equity ratio is 12.7% (2013: 11.6%) as at 31st December 2014.

(c) Fair value estimation

Financial instruments that are measured in the balance sheet at fair value required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's and the Company's financial assets that are measured at fair value at 31st December 2014 and 2013.

	Group			Company
	Level 1	Level 2	Level 3	Level 1
	HK\$	HK\$	HK\$	HK\$
2014				
Available-for-sale financial assets	44,488,824	–	12,000,000	223,280
2013				
Available-for-sale financial assets	39,597,244	–	12,000,000	199,603

Movement on the available-for-sale financial assets at level 3 is as follows:

	2014	2013
	HK\$	HK\$
At 1st January	12,000,000	21,000,000
Net fair value loss	–	(9,000,000)
At 31st December	12,000,000	12,000,000

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

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

(a) Critical accounting estimates and assumptions

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

(i) Investment properties

The fair values of investment properties are determined by independent valuers on an open market basis with reference to comparable market transactions. In making the judgment, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(i) Investment properties (Continued)

- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals, expected future market rentals, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market. The valuations are reviewed semi-annually by external valuers.

Should the capitalisation rates or market rates differ by 10%, the fair value gain would be reduced or increased by HK\$547,460,000 or HK\$669,118,000 (2013: HK\$477,697,000 or HK\$583,852,000) respectively and the deferred income tax charge thereon would be reduced or increased by HK\$27,492,000 or HK\$33,601,000 (2013: HK\$22,866,000 or HK\$27,947,000) respectively.

(ii) Fair value of available-for-sale financial assets

The fair values of quoted investments are based on current bid prices. The fair value of investments which are not traded in an active market is determined by using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses its judgment to select a variety of methods and make assumptions of fair value and discounted rate that are mainly based on market conditions existing at each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Should the useful lives of the property, plant and equipment be different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK\$1,124,000 or HK\$1,273,000 (2013: HK\$1,204,000 or HK\$1,254,000) respectively in the current year.

Should the residual values of the property, plant and equipment be different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK\$97,000 (2013: HK\$113,000) respectively in the current year.

(b) Critical judgment in applying the Group's accounting policies

(i) Impairment of available-for-sale investments

The guidance of HKAS 39 is followed by the Group in determining when an investment has other-than-temporary impairment. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) Income tax

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

5 REVENUES AND SEGMENT INFORMATION

(a) Revenues (representing turnover) recognised during the year are as follows:

	2014	2013
	HK\$	HK\$
Revenues		
Property rental		
– investment properties	199,808,164	185,127,845
– properties for sale	24,710,510	20,168,721
Property related services	9,477,621	8,050,155
Hotel operations	16,163,202	15,493,979
Restaurant operations	847,712	–
	<u>251,007,209</u>	<u>228,840,700</u>

Property rental and property related services revenue above included amounts of HK\$2,054,417 (2013: HK\$2,070,919) and HK\$474,139 (2013: HK\$422,338) from related companies and persons respectively.

(b) Operating lease arrangement

The Group leases out investment properties and properties for sale under lease terms generally in the range of one to ten years.

At 31st December 2014, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Not later than one year	213,273,000	179,908,000	28,824,000	17,163,000
Later than one year but not later than five years	205,481,000	193,354,000	20,724,000	14,830,000
Later than five years	6,960,000	14,551,000	–	–
	<u>425,714,000</u>	<u>387,813,000</u>	<u>49,548,000</u>	<u>31,993,000</u>

(c) The chief operating decision-maker has been identified as the executive directors of the Company. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The board of directors considers the business from a geographic perspective and has identified the operating segments of the Group in Hong Kong and North America.

The board of directors assesses the performance of the operating segments based on their underlying profit, which is measured by profit after income tax excluding fair value changes on investment properties and deferred income tax on fair value changes on investment properties, and their segment assets and segment liabilities which is measured in a manner consistent with that in the financial statements.

There are no sales between the operating segments.

5 REVENUES AND SEGMENT INFORMATION (Continued)

(c) Operating segments

	Hong Kong	North America	Total
	HK\$	HK\$	HK\$
For the year ended 31st December 2014			
Segment revenues			
Property rental	175,852,633	48,666,041	224,518,674
Property related services	9,477,621	–	9,477,621
Hotel operations	16,163,202	–	16,163,202
Restaurant operations	847,712	–	847,712
Total segment revenues	<u>202,341,168</u>	<u>48,666,041</u>	<u>251,007,209</u>
Segment results – underlying profit			
– Property rental and related services	34,222,260	9,844,732	44,066,992
– Hotel operations	1,814,356	–	1,814,356
– Restaurant operations	(2,480,375)	–	(2,480,375)
Fair value gains on investment properties	533,775,222	110,923,590	644,698,812
Deferred income tax, net	–	(56,004,813)	(56,004,813)
Profit for the year	<u>567,331,463</u>	<u>64,763,509</u>	<u>632,094,972</u>
Included in segment results:			
Finance income	6,343	37,152	43,495
Finance costs	(9,963,323)	(2,930,741)	(12,894,064)
Income tax expense (note)	(11,634,994)	(13,260)	(11,648,254)
Depreciation	(16,099,111)	(1,215,174)	(17,314,285)
Capital expenditure	<u>175,709,262</u>	<u>12,011,446</u>	<u>187,720,708</u>
At 31st December 2014			
Property, plant and equipment	741,849,242	15,592,672	757,441,914
Investment properties	5,221,950,000	705,907,800	5,927,857,800
Non-current prepayments	6,479,729	–	6,479,729
Non-current assets (excluding available-for-sale financial assets)	<u>5,970,278,971</u>	<u>721,500,472</u>	<u>6,691,779,443</u>
Non-current available-for-sale financial assets	56,488,824	–	56,488,824
Current assets	<u>138,019,155</u>	<u>26,126,997</u>	<u>164,146,152</u>
Segment assets	<u>6,164,786,950</u>	<u>747,627,469</u>	<u>6,912,414,419</u>
Current liabilities	592,570,578	12,044,815	604,615,393
Non-current liabilities	217,925,746	291,184,352	509,110,098
Segment liabilities	<u>810,496,324</u>	<u>303,229,167</u>	<u>1,113,725,491</u>

5 REVENUES AND SEGMENT INFORMATION (Continued)

(c) Operating segments (Continued)

	Hong Kong	North America	Total
	HK\$	HK\$	HK\$
For the year ended 31st December 2013			
Segment revenues			
Property rental	158,790,673	46,505,893	205,296,566
Property related services	8,050,155	–	8,050,155
Hotel operations	15,493,979	–	15,493,979
Total segment revenues	<u>182,334,807</u>	<u>46,505,893</u>	<u>228,840,700</u>
Segment results – underlying profit			
– Property rental and related services	25,260,378	3,278,715	28,539,093
– Hotel operations	2,041,905	–	2,041,905
Fair value gains on investment properties	351,012,062	81,198,125	432,210,187
Deferred income tax, net	–	(35,828,697)	(35,828,697)
Profit for the year	<u>378,314,345</u>	<u>48,648,143</u>	<u>426,962,488</u>
Included in segment results:			
Impairment loss on available-for-sale financial asset	(2,000,000)	–	(2,000,000)
Finance income	6,559	42,097	48,656
Finance costs	(7,504,525)	(2,919,930)	(10,424,455)
Income tax expense (note)	(8,548,750)	(13,696)	(8,562,446)
Depreciation	(13,612,300)	(780,499)	(14,392,799)
Capital expenditure	<u>89,832,753</u>	<u>4,741,183</u>	<u>94,573,936</u>
At 31st December 2013			
Property, plant and equipment	604,544,786	12,659,011	617,203,797
Investment properties	4,667,550,000	587,121,600	5,254,671,600
Non-current prepayments	7,493,904	–	7,493,904
Non-current assets (excluding available-for-sale financial assets)	<u>5,279,588,690</u>	<u>599,780,611</u>	<u>5,879,369,301</u>
Non-current available-for-sale financial assets	51,597,244	–	51,597,244
Current assets	<u>134,757,526</u>	<u>46,874,889</u>	<u>181,632,415</u>
Segment assets	<u>5,465,943,460</u>	<u>646,655,500</u>	<u>6,112,598,960</u>
Current liabilities	431,332,078	8,169,588	439,501,666
Non-current liabilities	214,546,667	259,631,104	474,177,771
Segment liabilities	<u>645,878,745</u>	<u>267,800,692</u>	<u>913,679,437</u>

Note: The amount excludes deferred income tax on fair value changes on investment properties.

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Leasehold improvement	Plant and equipment	Property under development	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
At 1st January 2014	241,885,429	–	92,384,957	436,615,348	770,885,734
Additions	6,877,251	–	16,087,351	47,820,625	70,785,227
Transfer from investment properties	92,900,000	–	–	–	92,900,000
Transfer from properties for sale	1,203,533	–	–	–	1,203,533
Transfer to investment properties	–	–	(9,461,272)	–	(9,461,272)
Disposals and write-off	–	–	(28,844,443)	–	(28,844,443)
At 31st December 2014	342,866,213	–	70,166,593	484,435,973	897,468,779
Accumulated depreciation					
At 1st January 2014	88,229,239	–	65,452,698	–	153,681,937
Depreciation charge	8,087,139	–	9,227,146	–	17,314,285
Transfer to investment properties	–	–	(5,009,365)	–	(5,009,365)
Disposals and write-off	–	–	(25,959,992)	–	(25,959,992)
At 31st December 2014	96,316,378	–	43,710,487	–	140,026,865
Net book value					
At 31st December 2014	246,549,835	–	26,456,106	484,435,973	757,441,914
Cost					
At 1st January 2013	241,885,429	5,608,828	90,930,127	418,000,000	756,424,384
Additions	–	–	4,572,975	18,615,348	23,188,323
Disposals and write-off	–	(5,608,828)	(3,118,145)	–	(8,726,973)
At 31st December 2013	241,885,429	–	92,384,957	436,615,348	770,885,734
Accumulated depreciation					
At 1st January 2013	81,343,900	5,608,828	60,387,359	–	147,340,087
Depreciation charge	6,885,339	–	7,507,460	–	14,392,799
Disposals and write-off	–	(5,608,828)	(2,442,121)	–	(8,050,949)
At 31st December 2013	88,229,239	–	65,452,698	–	153,681,937
Net book value					
At 31st December 2013	153,656,190	–	26,932,259	436,615,348	617,203,797

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvement	Plant and equipment	Total
	HK\$	HK\$	HK\$
Cost			
At 1st January 2014	–	6,965,936	6,965,936
Additions	–	1,154,707	1,154,707
Disposals and write-off	–	(5,843,317)	(5,843,317)
	<u>–</u>	<u>2,277,326</u>	<u>2,277,326</u>
At 31st December 2014	–	2,277,326	2,277,326
Accumulated depreciation			
At 1st January 2014	–	4,023,870	4,023,870
Depreciation charge	–	2,209,826	2,209,826
Disposals and write-off	–	(5,156,042)	(5,156,042)
	<u>–</u>	<u>(1,876,216)</u>	<u>(1,876,216)</u>
At 31st December 2014	–	1,077,654	1,077,654
Net book value			
At 31st December 2014	<u>–</u>	<u>1,199,672</u>	<u>1,199,672</u>
Cost			
At 1st January 2013	5,608,828	6,877,640	12,486,468
Additions	–	406,856	406,856
Disposals and write-off	(5,608,828)	(318,560)	(5,927,388)
	<u>–</u>	<u>6,965,936</u>	<u>6,965,936</u>
At 31st December 2013	–	6,965,936	6,965,936
Accumulated depreciation			
At 1st January 2013	5,608,828	3,675,105	9,283,933
Depreciation charge	–	542,564	542,564
Disposals and write-off	(5,608,828)	(193,799)	(5,802,627)
	<u>–</u>	<u>4,023,870</u>	<u>4,023,870</u>
At 31st December 2013	–	4,023,870	4,023,870
Net book value			
At 31st December 2013	<u>–</u>	<u>2,942,066</u>	<u>2,942,066</u>

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) The Group's freehold land and building located in the US with net book value of HK\$10,413,000 (2013: HK\$11,085,750) together with an investment property located in the US (note 7(a)) have been pledged to a financial institution to secure a credit facility of the Group in the US totalling HK\$147,558,531 (2013: HK\$155,326,439) of which HK\$131,958,531 (2013: HK\$155,326,439) was utilised as at 31st December 2014.
- (b) The Group's property under development located in Hong Kong with net book value of HK\$484,435,973 (2013: HK\$436,615,348) has been pledged to a financial institution to secure a credit facility of the Group in Hong Kong of HK\$200,000,000 (2013: HK\$200,000,000) which was fully utilised as at 31st December 2014.
- (c) The Group's property under development included additions of HK\$5,754,033 (2013: HK\$5,749,633) (note 22) being interest expenses with an effective interest rate per annum at balance sheet date of 2.88% (2013: 2.88%) capitalised for the development project.

The Group's interests in land included in land and buildings and property under development above are analysed as follows:

	Group	
	As at 31st December 2014	2013
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	488,769,144	418,201,600
Leases of between 10 and 50 years	76,299,584	78,626,774
In US, held on freehold	2,340,000	2,340,000
	567,408,728	499,168,374

7 INVESTMENT PROPERTIES

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
At 1st January	5,254,671,600	4,751,075,800	540,000,000	475,000,000
Additions	116,935,481	71,385,613	-	-
Transfer from property, plant and equipment	4,451,907	-	-	-
Transfer to property, plant and equipment	(92,900,000)	-	-	-
Fair value gains	644,698,812	432,210,187	95,000,000	65,000,000
At 31st December	5,927,857,800	5,254,671,600	635,000,000	540,000,000

All the investment properties of the Group and the Company measured at fair value are categorised as Level 3 in the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers (2013: Nil) between Levels 1, 2 and 3 during the year.

7 INVESTMENT PROPERTIES (Continued)

Fair value measurement using significant unobservable inputs

Group

	Hong Kong			North America	Total
	Industrial properties	Commercial properties	Residential properties	Commercial property	
	HK\$	HK\$	HK\$	HK\$	
At 1st January 2014	2,393,900,000	675,100,000	1,598,550,000	587,121,600	5,254,671,600
Additions	87,626,985	–	21,445,885	7,862,611	116,935,481
Transfer from property, plant and equipment	257,849	–	4,194,058	–	4,451,907
Transfer to property, plant and equipment	–	–	(92,900,000)	–	(92,900,000)
Fair value gain	355,815,166	103,400,000	74,560,057	110,923,589	644,698,812
At 31st December 2014	<u>2,837,600,000</u>	<u>778,500,000</u>	<u>1,605,850,000</u>	<u>705,907,800</u>	<u>5,927,857,800</u>

Company

	Hong Kong Commercial properties
	HK\$
At 1st January 2014	540,000,000
Fair value gain	95,000,000
At 31st December 2014	<u>635,000,000</u>

Valuation processes of the Group and the Company

The Group measures its investment properties at fair value. The investment properties of the Group and the Company in Hong Kong were revalued by A A Property Services Limited and the Group's overseas investment property was revalued by Mr. David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company. They are independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued, at 31st December 2014. For all investment properties, their current use equates to the highest and best use.

The Group assigns a team to review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the assigned team:

- Verifies all major inputs to the independent valuation reports;
- Assess property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

7 INVESTMENT PROPERTIES (Continued)

Valuation techniques

Fair value of a residential property in Hong Kong are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair values of industrial properties, commercial properties and other residential properties in Hong Kong and a commercial property in North America are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

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

Significant unobservable inputs used to determine fair value

The valuation determined using the direct comparison method by A A Property Services Limited, sales price of comparable properties in close proximity and adjusted for differences in key attributes such as property size and location. The most significant unobservable input into this valuation method is the price adjustment per square foot.

Capitalisation rates are estimated by A A Property Services Limited and Mr. David K Bohegian based on the risk profile of the properties being valued in Hong Kong and North America respectively. The higher the rates, the lower the fair value. At 31st December 2014, capitalisation rates of ranged from 2.5% to 4.0% (2013: 2.6% to 4.6%) and 4.0% (2013: 4.25%) are used in the income capitalisation method for properties in Hong Kong and North America respectively.

Notes:

- (a) The Group's investment property located in the US with a net book value of HK\$705,907,800 (2013: HK\$587,121,600) together with the freehold land and building located in the US have been pledged to a financial institution to secure a credit facility of the Group in the US (note 6(a)).

Certain of the Group's investment properties located in Hong Kong with an aggregate net book value of HK\$3,165,000,000 (2013: HK\$2,683,000,000) have been pledged to financial institutions to secure credit facilities of the Group in Hong Kong totalling HK\$456,000,000 (2013: HK\$460,000,000) of which HK\$404,341,675 (2013: HK\$250,195,482) were utilised as at 31st December 2014.

- (b) The interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	720,850,000	772,550,000	45,000,000	40,000,000
Leases of between 10 and 50 years	4,501,100,000	3,895,000,000	590,000,000	500,000,000
Outside Hong Kong, held on:				
Freehold	705,907,800	587,121,600	-	-
	<u>5,927,857,800</u>	<u>5,254,671,600</u>	<u>635,000,000</u>	<u>540,000,000</u>

8 SUBSIDIARIES

(a) Interests in subsidiaries

	Company	
	2014	2013
	HK\$	HK\$
Unlisted shares, at cost	124,359,571	124,359,569
Less: provision	(69,650,402)	(69,662,904)
	<u>54,709,169</u>	<u>54,696,665</u>
Advances to subsidiaries	562,001,793	565,190,508
Less: provision	(118,900,147)	(118,862,073)
	<u>443,101,646</u>	<u>446,328,435</u>
	<u>497,810,815</u>	<u>501,025,100</u>

Details of principal subsidiaries as at 31st December 2014, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 30.

Advances to subsidiaries are unsecured, interest free and not repayable within the next twelve months from the balance sheet date.

The directors considered the advances to subsidiaries are equity in nature and accordingly they are stated at cost less provision for impairment at balance sheet date.

(b) Amounts due from/(to) subsidiaries

	Company	
	2014	2013
	HK\$	HK\$
Amounts due from subsidiaries	516,913,389	481,489,264
Less: provision	(15,316,608)	(12,236,997)
	<u>501,596,781</u>	<u>469,252,267</u>
Amounts due to subsidiaries	<u>(53,766,230)</u>	<u>(40,494,631)</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company	
	2014	2013
	HK\$	HK\$
At 1st January	(12,236,997)	(12,913,467)
(Provision)/write back of provision for impairment of amounts due from subsidiaries	(3,079,611)	676,470
At 31st December	<u>(15,316,608)</u>	<u>(12,236,997)</u>

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
At 1st January	51,597,244	61,416,811	199,603	217,392
Additions	424,278	–	–	–
Net fair value gain/(loss)	4,467,302	(9,819,567)	23,677	(17,789)
At 31st December	<u>56,488,824</u>	<u>51,597,244</u>	<u>223,280</u>	<u>199,603</u>
Available-for-sale financial assets include the following:				
Listed equity securities in Hong Kong (note (a))	44,432,313	39,541,961	223,280	199,603
Listed equity securities in overseas (note (b))	56,511	55,283	–	–
Unlisted equity securities (note (c))	12,000,000	12,000,000	–	–
Total	<u>56,488,824</u>	<u>51,597,244</u>	<u>223,280</u>	<u>199,603</u>

Notes:

- Listed equity securities in Hong Kong, which were denominated in Hong Kong dollar, mainly represented securities listed in the Main Board of The Stock Exchange of Hong Kong Limited, which included conglomerates that are also engaged in property development and utility businesses.
- Listed equity securities in overseas as at 31st December 2014 were denominated in US dollar, represented a publicly traded container port business trust, an equity investment listed in the Singapore Exchange.
- Unlisted securities were denominated in Hong Kong dollar, represented approximately 12% equity interests each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited, and Yangtze China Investment Limited. The underlying investments of these entities comprise companies engaged in integrated circuits, Chinese medical products, environmental friendly product in China, and a provider of expansion capital to China-based enterprises.

10 PROPERTIES FOR SALE

The Group's interests in properties for sale at their net book values are analysed as follows:

	Group	
	2014	2013
	HK\$	HK\$
Leasehold land	12,051,376	12,063,339
Development expenditures	88,737,131	89,267,601
	<u>100,788,507</u>	<u>101,330,940</u>
In Hong Kong, held on:		
Leases of over 50 years	27,028,901	27,571,334
Leases of between 10 and 50 years	73,759,606	73,759,606
	<u>100,788,507</u>	<u>101,330,940</u>

11 DEBTORS AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Trade debtors (note (a))	631,066	527,651	51,800	–
Prepayments, deposits and other debtors (note (b))	21,481,507	19,161,846	1,861,862	1,721,778
	<u>22,112,573</u>	<u>19,689,497</u>	<u>1,913,662</u>	<u>1,721,778</u>

Notes:

- (a) The trade debtors represent rental and management fee receivables. The Group normally does not grant credit period to rental receivables, and grants 30 days credit period to management fee receivables.

At 31st December 2014, the ageing analysis of the Group's trade debtors were as follows:

	Group	
	2014	2013
	HK\$	HK\$
Current	546,293	489,772
31-60 days	33,400	37,879
61-90 days	25,000	–
Over 90 days	26,373	–
	<u>631,066</u>	<u>527,651</u>

11 DEBTORS AND PREPAYMENTS (Continued)

Notes: (Continued)

- (a) At 31st December 2014, trade debtors of HK\$99,968 (2013: HK\$227,145) were fully performing. Trade debtors of HK\$531,098 (2013: HK\$300,506) were past due but not impaired and its due date analysis was as follows:

	Group	
	2014	2013
	HK\$	HK\$
Up to 30 days	446,325	266,506
31-60 days	33,400	34,000
61-90 days	25,000	–
Over 90 days	26,373	–
	<u>531,098</u>	<u>300,506</u>

At 31st December 2014 and 2013, no impairment provision was made on the trade debtors.

- (b) The prepayments, deposits and other debtors represent utilities deposits, and other prepayments, deposits and receivables.
- (c) The carrying amounts of debtors and prepayments approximated their fair values as at 31st December 2014 and 2013.
- (d) Included in the debtors and prepayments are the following amounts denominated in a currency other than the functional currency of the Company:

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
US dollar	<u>11,423,326</u>	<u>10,703,323</u>	–	–

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash	39,637,428	58,845,788	3,101,046	4,785,408
Restricted bank deposit (note)	1,000,000	1,000,000	1,000,000	1,000,000
	<u>40,637,428</u>	<u>59,845,788</u>	<u>4,101,046</u>	<u>5,785,408</u>

Note:

Restricted bank deposit of the Company is pledged to secure an overdraft credit facility of HK\$998,000 (2013: HK\$998,000) provided to the Company by a financial institution, which is a related company of the Company.

12 CASH AND CASH EQUIVALENTS (Continued)

Note: (Continued)

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of the Company:

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
US dollar	14,703,671	36,171,566	–	–

13 CREDITORS AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Trade creditors	9,481,447	22,340,955	349,558	454,599
Other creditors	11,156,313	10,314,864	3,242,097	2,888,989
Accruals	26,301,803	17,925,583	2,798,072	2,635,838
	46,939,563	50,581,402	6,389,727	5,979,426

At 31st December 2014, the ageing analysis of the Group's trade creditors was as follows:

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Current	8,943,381	17,529,584	332,803	401,948
31-60 days	525,627	217,891	13,204	40,570
61-90 days	2,511	48,800	–	2,960
Over 90 days	9,928	4,544,680	3,551	9,121
	9,481,447	22,340,955	349,558	454,599

The carrying amounts of creditors and accruals approximated their fair values as at 31st December 2014 and 2013.

Included in the trade creditors, other creditors and accruals are the following amounts denominated in a currency other than the functional currency of the Company:

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
US dollar	3,188,523	3,443,497	–	–

14 SHORT TERM BANK LOANS AND BANK OVERDRAFTS – SECURED

The effective interest rates per annum at the balance sheet date were as follows:

	Group	
	2014	2013
Short term bank loans	2.34% – 2.88%	2.36% – 2.88%
Bank overdrafts	5.00%	5.00%

The exposure to the Group's short term bank loans to interest rate changes and the contractual repricing dates are as follows:

	Group	
	2014	2013
	HK\$	HK\$
1 month or less	35,000,000	20,000,000
1 to 3 months	427,800,000	280,791,667
	<u>462,800,000</u>	<u>300,791,667</u>

The carrying amounts of the short term bank loans and bank overdrafts approximated their fair values as at 31st December 2014 and 2013.

The short term bank loans and bank overdrafts of the Group are secured by certain investment properties (note 7(a)) and property under development (note 6(b)) in Hong Kong and the rental income thereon. All the short term bank loans and bank overdrafts are denominated in Hong Kong dollar.

15 LONG TERM BANK LOANS – SECURED

	Group	
	2014	2013
	HK\$	HK\$
Bank loans		
– wholly repayable within five years	141,014,123	145,222,596
– wholly repayable after five years	131,958,531	155,326,439
	<u>272,972,654</u>	<u>300,549,035</u>
Amounts due within one year included under current liabilities	<u>(7,083,654)</u>	<u>(6,000,000)</u>
	<u>265,889,000</u>	<u>294,549,035</u>

15 LONG TERM BANK LOANS – SECURED (Continued)

The maturity of the Group's long term bank loans is as follows:

	Group	
	2014	2013
	HK\$	HK\$
– within one year	7,083,654	6,000,000
– in the second year	137,181,431	7,083,654
– in the third to fifth year	6,501,924	139,724,520
– after the fifth year	122,205,645	147,740,861
	<u>272,972,654</u>	<u>300,549,035</u>

The effective interest rates per annum at balance sheet date were as follows:

	Group	
	2014	2013
HK dollar bank loan	2.31%	2.39%
US dollar bank loan	1.81%	1.82%

The exposure to the Group's long term bank loans to interest rate changes and the contractual repricing dates are as follows:

	Group	
	2014	2013
	HK\$	HK\$
1 month or less	131,958,531	155,326,439
1 to 3 months	141,014,123	145,222,596
	<u>272,972,654</u>	<u>300,549,035</u>

The carrying amounts of the long term bank loans approximated their fair values as at 31st December 2014 and 2013. The fair values are based on cash flows discounted using a rate based on the borrowing rate in the range of 1.81% to 2.31% (2013: 1.82% to 2.39%) per annum.

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

	Group	
	2014	2013
	HK\$	HK\$
HK dollar	141,014,123	145,222,596
US dollar	131,958,531	155,326,439
	<u>272,972,654</u>	<u>300,549,035</u>

The Group's long term bank loans are secured by the freehold land and building in the US (note 6(a)), investment properties in the US and Hong Kong (note 7(a)) and the rental income thereon.

16 DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group	
	2014	2013
	HK\$	HK\$
Deferred income tax liabilities		
– to be settled after more than 12 months	243,221,098	179,628,736

The movements on the net deferred tax liabilities of the Group and the Company are as follows:

	Group	
	2014	2013
	HK\$	HK\$
At 1st January	179,628,736	139,187,480
Deferred income tax charged to consolidated income statement (note 23)	63,592,362	40,441,256
At 31st December	243,221,098	179,628,736

At 31st December 2014, the Company's subsidiaries in Hong Kong had unrecognised tax losses of HK\$16,680,000 (2013: HK\$12,970,000) to carry forward against future taxable income. Such tax losses have no expiry date. The Company's subsidiary in the US had an unrecognised tax losses of HK\$16,894,722 (2013: HK\$Nil) to carry forward against future taxable income.

The movements in deferred income tax assets/(liabilities) (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Group

	Tax losses	
	2014	2013
	HK\$	HK\$
At 1st January	109,368,972	108,279,203
(Charged)/credited to consolidated income statement	(4,465,076)	1,089,769
At 31st December	104,903,896	109,368,972

	Revaluation of properties		Accelerated tax depreciation	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
At 1st January	(118,581,617)	(82,454,889)	(170,416,091)	(165,011,794)
Charged to consolidated income statement	(51,402,001)	(36,126,728)	(7,725,285)	(5,404,297)
At 31st December	(169,983,618)	(118,581,617)	(178,141,376)	(170,416,091)

17 SHARE CAPITAL

	2014	2013
	HK\$	HK\$
Authorised: (note (a))		
400,000,000 ordinary shares of HK\$1 each (note (b))	–	400,000,000
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	287,669,676	287,669,676
Transition to no-par regime on 3rd March 2014 (note (c))	129,651,602	–
	<u>417,321,278</u>	<u>287,669,676</u>

Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3rd March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

18 RESERVES

Group

	Share premium	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2014	129,651,602	21,815,807	7,245,862	4,582,530,968	4,741,244,239
Net fair value gain on available-for-sale financial assets	–	3,136,327	–	–	3,136,327
Exchange translation differences	–	–	3,292	–	3,292
Profit attributable to owners of the Company	–	–	–	620,250,411	620,250,411
Total comprehensive income	–	3,136,327	3,292	620,250,411	623,390,030
Transition to no par value regime on 3rd March 2014 (note 17(c))	(129,651,602)	–	–	–	(129,651,602)
Dividends paid					
2013 final dividend	–	–	–	(11,506,787)	(11,506,787)
2014 interim dividend	–	–	–	(23,013,574)	(23,013,574)
At 31st December 2014	<u>–</u>	<u>24,952,134</u>	<u>7,249,154</u>	<u>5,168,261,018</u>	<u>5,200,462,306</u>
Representing:					
Reserves	–	24,952,134	7,249,154	5,153,877,534	5,186,078,822
2014 final dividend proposed (note 26)	–	–	–	14,383,484	14,383,484
	<u>–</u>	<u>24,952,134</u>	<u>7,249,154</u>	<u>5,168,261,018</u>	<u>5,200,462,306</u>

18 RESERVES (Continued)

Group (Continued)

	Share premium	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2013	129,651,602	29,585,332	7,242,261	4,210,720,760	4,377,199,955
Net fair value loss on available- for-sale financial assets	-	(9,769,525)	-	-	(9,769,525)
Impairment loss on available-for-sale financial assets transferred to consolidated income statement	-	2,000,000	-	-	2,000,000
Exchange translation differences	-	-	3,601	-	3,601
Profit attributable to owners of the Company	-	-	-	414,960,659	414,960,659
Total comprehensive income	-	(7,769,525)	3,601	414,960,659	407,194,735
Dividends paid					
2012 final dividend	-	-	-	(23,013,574)	(23,013,574)
2013 interim dividend	-	-	-	(20,136,877)	(20,136,877)
At 31st December 2013	<u>129,651,602</u>	<u>21,815,807</u>	<u>7,245,862</u>	<u>4,582,530,968</u>	<u>4,741,244,239</u>
Representing:					
Reserves	129,651,602	21,815,807	7,245,862	4,571,024,181	4,729,737,452
2013 final dividend proposed (note 26)	-	-	-	11,506,787	11,506,787
	<u>129,651,602</u>	<u>21,815,807</u>	<u>7,245,862</u>	<u>4,582,530,968</u>	<u>4,741,244,239</u>

18 RESERVES (Continued)

Company

	Share premium	Investment revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
At 1st January 2014	129,651,602	186,954	1,051,844,887	1,181,683,443
Fair value gain on available- for-sale financial assets	–	23,677	–	23,677
Profit for the year	–	–	141,532,718	141,532,718
Total comprehensive income	–	23,677	141,532,718	141,556,395
Transition to no par value regime on 3rd March 2014 (note 17(c))	(129,651,602)	–	–	(129,651,602)
Dividends paid				
2013 final dividend	–	–	(11,506,787)	(11,506,787)
2014 interim dividend	–	–	(23,013,574)	(23,013,574)
At 31st December 2014	–	210,631	1,158,857,244	1,159,067,875
Representing:				
Reserves	–	210,631	1,144,473,760	1,144,684,391
2014 final dividend proposed (note 26)	–	–	14,383,484	14,383,484
	–	210,631	1,158,857,244	1,159,067,875
At 1st January 2013	129,651,602	204,743	1,003,887,392	1,133,743,737
Fair value loss on available- for-sale financial assets	–	(17,789)	–	(17,789)
Profit for the year	–	–	91,107,946	91,107,946
Total comprehensive income	–	(17,789)	91,107,946	91,090,157
Dividends paid				
2012 final dividend	–	–	(23,013,574)	(23,013,574)
2013 interim dividend	–	–	(20,136,877)	(20,136,877)
At 31st December 2013	129,651,602	186,954	1,051,844,887	1,181,683,443
Representing:				
Reserves	129,651,602	186,954	1,040,338,100	1,170,176,656
2013 final dividend proposed (note 26)	–	–	11,506,787	11,506,787
	129,651,602	186,954	1,051,844,887	1,181,683,443

19 COST AND EXPENSES

	2014	2013
	HK\$	HK\$
Auditors' remuneration		
– audit services	2,460,056	2,356,330
– non-audit services	520,762	508,894
Bad debts written off	–	438,752
Depreciation	17,314,285	14,392,799
Outgoings in respect of		
– investment properties	43,311,612	45,321,963
– properties for sale	7,834,175	6,945,430
– property related services	10,103,682	7,075,675
– property, plant and equipment	1,211,806	730,168
– hotel operations	9,178,641	8,178,829
– restaurant operations	3,102,413	–
Operating lease rental for office premises to a related company	3,507,871	3,321,000
Staff costs (note 21)	72,458,234	67,678,274
Others	13,689,682	21,503,984
	<u>184,693,219</u>	<u>178,452,098</u>

20 OTHER INCOME/(LOSS), NET

	2014	2013
	HK\$	HK\$
Dividend income from listed available-for-sale financial assets	2,151,176	1,299,613
Loss on disposal of property, plant and equipment, net	(565,370)	(168,972)
Impairment loss on available-for-sale financial assets	–	(2,000,000)
	<u>1,585,806</u>	<u>(869,359)</u>

21 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2014	2013
	HK\$	HK\$
Salaries	48,316,174	45,032,176
Housing and other allowances, benefits in kind	14,434,422	13,855,716
Bonuses	8,053,418	7,290,195
Retirement benefit costs	1,654,220	1,500,187
	<u>72,458,234</u>	<u>67,678,274</u>

21 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments

The aggregate amounts of emoluments paid to the directors and chief executive of the Company during the year are as follows:

	2014	2013
	HK\$	HK\$
Fees	663,500	620,000
Salaries	14,260,020	13,606,920
Housing and other allowances, benefits in kind	13,564,422	12,985,716
Bonuses	3,638,560	3,837,190
Retirement benefit costs	100,500	90,000
	<u>32,227,002</u>	<u>31,139,826</u>

The remuneration of every director and chief executive for the year ended 31st December 2014 is set out below:

Name of director	Fees	Salaries	Housing and other allowances, benefits in kind	Bonuses	Retirement benefit costs	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
William Ma Ching Wai	21,500	4,762,560	10,349,639	1,849,400	16,750	16,999,849
Patrick Ma Ching Hang	17,000	938,940	-	270,240	16,750	1,242,930
Alfred Ma Ching Kuen	17,000	814,560	-	135,760	16,750	984,070
Amy Ma Ching Sau	17,000	1,749,240	380,000	384,040	16,750	2,547,030
Philip Ma Ching Yeung	17,000	1,621,440	1,956,000	270,240	16,750	3,881,430
Edward Cheung Wing Yui	143,500	-	-	-	-	143,500
Kevin Chau Kwok Fun	143,500	-	-	-	-	143,500
Tan Soo Kiu	143,500	-	-	-	-	143,500
William Wong Hing Kwok	143,500	-	-	-	-	143,500
	<u>663,500</u>	<u>9,886,740</u>	<u>12,685,639</u>	<u>2,909,680</u>	<u>83,750</u>	<u>26,229,309</u>
Name of chief executive						
Ted Mok Tat Hung	-	4,373,280	878,783	728,880	16,750	5,997,693

21 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and chief executive for the year ended 31st December 2013 is set out below:

Name of director	Fees	Salaries	Housing and other allowances, benefits in kind	Bonuses	Retirement benefit costs	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
William Ma Ching Wai	20,000	4,557,480	10,153,416	1,898,950	15,000	16,644,846
Patrick Ma Ching Hang	16,000	771,600	–	258,600	15,000	1,061,200
Alfred Ma Ching Kuen	16,000	779,520	–	129,920	15,000	940,440
Amy Ma Ching Sau	16,000	1,803,120	–	300,520	15,000	2,134,640
Philip Ma Ching Yeung	16,000	1,551,600	1,956,000	258,600	15,000	3,797,200
Edward Cheung Wing Yui	134,000	–	–	–	–	134,000
Kevin Chau Kwok Fun	134,000	–	–	–	–	134,000
Tan Soo Kiu	134,000	–	–	–	–	134,000
William Wong Hing Kwok	134,000	–	–	–	–	134,000
	<u>620,000</u>	<u>9,463,320</u>	<u>12,109,416</u>	<u>2,846,590</u>	<u>75,000</u>	<u>25,114,326</u>
Name of chief executive						
Ted Mok Tat Hung	<u>–</u>	<u>4,143,600</u>	<u>876,300</u>	<u>990,600</u>	<u>15,000</u>	<u>6,025,500</u>

The fees paid by the Group to the non-executive directors for the year amounted to HK\$574,000 (2013: HK\$536,000).

(b) Five highest paid individuals

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

	2014	2013
	HK\$	HK\$
Salaries	5,994,720	5,695,200
Housing and other allowances, benefits in kind	878,783	876,300
Bonuses	999,120	1,249,200
Retirement benefit costs	33,500	30,000
	<u>7,906,123</u>	<u>7,850,700</u>

21 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell with the following bands:

	Number of individuals	
	2014	2013
Emolument bands (in HK\$)		
HK\$1,000,001 – HK\$2,000,000	1	1
HK\$5,000,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$7,000,000	–	1
	<u>2</u>	<u>2</u>

During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

(c) Key management remuneration

Remuneration for key management, including amounts paid to the Company's executive directors and chief executive, as disclosed in notes (a) and (b) above, and three (2013: three), senior management and other members, is as follows:

	2014	2013
	HK\$	HK\$
Fees	89,500	84,000
Salaries	18,198,140	17,570,111
Housing and other allowances, benefits in kind	13,564,422	12,985,716
Bonuses	4,179,040	4,255,790
Retirement benefit costs	201,712	115,000
	<u>36,232,814</u>	<u>35,010,617</u>

22 FINANCE INCOME AND COSTS

	2014	2013
	HK\$	HK\$
Finance income		
Interest income from banks	43,495	48,656
Finance costs		
Interest expenses		
– bank loans and overdrafts wholly repayable within five years	(15,717,356)	(14,201,148)
– bank loan wholly repayable after five years	(2,930,741)	(1,972,940)
	<u>(18,648,097)</u>	<u>(16,174,088)</u>
Less: Amount capitalised in property under development (note 6(c))	5,754,033	5,749,633
	<u>(12,894,064)</u>	<u>(10,424,455)</u>
Finance costs, net	<u>(12,850,569)</u>	<u>(10,375,799)</u>

23 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Except for the minimum United States state tax which has been paid during the year, no overseas taxation (2013: HK\$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the year.

The amount of income tax charged to the consolidated income statement represents:

	2014	2013
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	(4,227,770)	(4,088,168)
– overseas taxation	(13,260)	(13,697)
– over provision in prior years	180,325	151,978
	(4,060,705)	(3,949,887)
Deferred income tax (note 16)	(63,592,362)	(40,441,256)
	<u>(67,653,067)</u>	<u>(44,391,143)</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong where the Company operates and the difference is set out as follows:

	2014	2013
	HK\$	HK\$
Profit before income tax	699,748,039	471,353,631
Calculated at a taxation rate of 16.5% (2013: 16.5%)	(115,458,426)	(77,773,349)
Income not subject to tax	88,263,915	59,393,139
Expenses not deductible for tax purposes	(910,268)	(933,534)
Effect of different taxation rates in other countries	(35,263,537)	(19,711,642)
Over provision in prior years	180,325	151,978
Others	(4,465,076)	(5,517,735)
Income tax expense	<u>(67,653,067)</u>	<u>(44,391,143)</u>

There was no income tax relating to components of other comprehensive income for the year ended 31st December 2014 and 2013.

24 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK\$141,532,718 (2013: HK\$91,107,946).

25 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$620,250,411 (2013: HK\$414,960,659) and on 287,669,676 (2013: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2014 and 2013, the diluted earnings per share is equal to the basic earnings per share.

26 DIVIDENDS

	2014	2013
	HK\$	HK\$
Interim, paid, of HK8 cents (2013: HK7 cents) per ordinary share	23,013,574	20,136,877
Final, proposed, of HK5 cents (2013: HK4 cents) per ordinary share	14,383,484	11,506,787
	<u>37,397,058</u>	<u>31,643,664</u>

At a meeting held on 20th March 2015, the directors proposed a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2015 upon the approval by the shareholders.

27 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to net cash generated from operations

	2014	2013
	HK\$	HK\$
Profit before income tax	699,748,039	471,353,631
Finance income	(43,495)	(48,656)
Finance costs	12,894,064	10,424,455
Depreciation	17,314,285	14,392,799
Bad debts written off	–	438,752
Fair value gains on investment properties	(644,698,812)	(432,210,187)
Loss on disposal of property, plant and equipment, net	565,370	168,972
Impairment loss on available-for-sale financial assets	–	2,000,000
Dividend income	(2,151,177)	(1,299,613)
	<u>83,628,274</u>	<u>65,220,153</u>
Operating profit before working capital changes	83,628,274	65,220,153
Increase in properties for sale	(661,100)	–
Increase in inventory	(39,243)	–
(Increase)/decrease in debtors and prepayments	(2,524,462)	664,046
Increase in rental and other deposits	8,736,103	7,193,344
Increase/(decrease) in creditors and accruals	5,217,477	(5,545,598)
	<u>94,357,049</u>	<u>67,531,945</u>

28 FINANCIAL GUARANTEES

At 31st December 2014, the Company had provided guarantees to bankers for credit facilities granted to subsidiaries of which HK\$607,527,552 (2013: HK\$455,181,219) were utilised as at 31st December 2014.

29 COMMITMENTS

(a) Capital commitments

At 31st December 2014, the Group had capital commitments as follows:

	Group	
	2014	2013
	HK\$	HK\$
Contracted but not provided for		
– investment properties	93,036,000	38,618,000
– property, plant and equipment	1,410,000	2,696,000
– property under development	90,413,000	5,074,000
	184,859,000	46,388,000

The Company did not have any capital commitment as at 31st December 2014 and 2013.

(b) Commitments under operating leases

At 31st December 2014, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group and Company	
	2014	2013
	HK\$	HK\$
Land and buildings		
Not later than one year	3,840,000	600,000
Later than one year but not later than five years	4,640,000	–
	8,480,000	600,000

30 PRINCIPAL SUBSIDIARIES

At 31st December 2014, the Company had the following principal subsidiaries which, in the opinion of the directors, materially affect the results and/or assets of the Group. Montgomery Lands, Incorporated, Central Financial Management Company Inc, and MLI Business Management, Inc and Central Financial Management of Montana LLC are incorporated and operate in the United States of America. All other subsidiaries are incorporated and operate in Hong Kong.

Name	Percentage of issued capital held				Issued ordinary share capital	Principal activities
	By the Company		By subsidiary company			
	2014	2013	2014	2013		
Ballington Limited	100	100	–	–	10,000 shares	e, g
Cambella Limited	100	100	–	–	1,000 shares	a, b
Central Financial Management Company Inc	–	–	100	100	10,000 shares of US\$1 each	d

30 PRINCIPAL SUBSIDIARIES (Continued)

Name	Percentage of issued capital held				Issued ordinary share capital	Principal activities
	By the Company		By subsidiary company			
	2014	2013	2014	2013		
Central Financial Management of Montana LLC	-	-	100	100	N/A	j
Chi Ho Investment Company Limited	100	100	-	-	100 shares	a, g
Chi Ning Investment Company Limited	100	100	-	-	421,290 shares	e
China Gateway Emporium Limited	100	-	-	100	2 shares	l
Etrema Company Limited	100	100	-	-	1,000 shares	a
Golden Ocean Corporation Limited	100	100	-	-	531,510 shares	a, g
Kam Cheung Investment Company Limited	75	75	-	-	1,200,000 shares	a
Kam Chung Industrial Company Limited	100	100	-	-	1,149,430 shares	g
Kam Hang Company Limited	95	95	-	-	5,000 shares	a
Kam Yiu Company Limited	100	100	-	-	73,000 shares	b
La Bizplace Limited	100	100	-	-	2 shares	h
MLI Business Management, Inc	-	-	100	100	1,000 shares of US\$1 each	i
Montgomery Enterprises Limited	100	100	-	-	1,190,840 shares	a, e, g, k
Montgomery Lands, Incorporated	-	-	100	100	20,000 shares of US\$1 each	a, e
On Ah Enterprises Limited	65	65	-	-	100,000 shares	a
Pentacontinental Land Investment Company Limited	53.6	53.6	-	-	2,000,000 shares	a, e
Satvision Limited	100	100	-	-	1,000 shares	a, g
Tai Fung Investment Company Limited	65	65	-	-	1,400,000 shares	a
Tai Land Finance Company Limited	100	100	-	-	100,000 shares	c
Tai Sang Cold Storage & Godown Company Limited	58	58	-	-	5,600,000 shares	e
Tai Sang Estate Agency Limited	100	100	-	-	100,000 shares	d, e
TSE (Floral Villas) Limited	-	-	100	100	100 shares	d
TSE (Kam Yuen Mansion) Limited	-	-	100	100	1,000 shares	d
Silver Focus Investment Limited	-	-	100	100	1,000 shares	e, g
Silver Grand Investment Limited	-	-	100	100	1,000 shares	g
Ocean Gold Investment Limited	-	-	100	100	1 share	g
Capital Gold Investment Limited	-	-	100	100	1 share	g
East Gold Investment Limited	-	-	100	100	1 share	g
Glory Gold Investment Limited	-	-	100	100	1 share	g
Gold Earth Investment Limited	-	-	100	100	1 share	g
Gold Express Investment Limited	-	-	100	100	1 share	g
TSL Construction and Engineering Limited	100	100	-	-	2 shares	g
Welldicker Industrial Limited	100	100	-	-	2 shares	e
Xin Kuok Investments Limited	100	100	-	-	2 shares	f

Principal activities:

a = property rental

b = property development

c = finance

d = estate management and agency

e = investment holding

f = motor vehicle rental

g = property sale

h = property sub-letting

i = management service

j = motor vehicle holding

k = hotel operation

l = restaurant operation

SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2014

A PROPERTIES FOR INVESTMENT

Description	Lot Number	Type [#]	Appro. G.F.A. (M ²)	Group's interest	Lease term
Hong Kong					
Gateway ts, 8 Cheung Fai Road, Tsing Yi Island	T.Y.T.L. 56	G	118,025	100.0%	Medium term
Heung Wah Industrial Building (portion), 12 Wong Chuk Hang Road, Aberdeen	A.I.L. 340	I	6,947	95.0%	Long term
Chin Fat Factory Building (portion), 3 Tsat Po Street, San Po Kong	K.I.L. 4438 & 4439	I	996	65.0%	Medium term
House of Corona (portion), 50 Hung To Road, Kwun Tong	K.T.I.L. 284	I	699	65.0%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road	I.L. 646 Sec. A & Sec. B	R	1,829	75.0%	Long term
Sea and Sky Court (portion), 92 Stanley Main Street, Stanley	S.I.L. 8	R	319	100.0%	Long term
Mercantile House, 186 & 190 Nathan Road, Tsim Sha Tsui	K.I.L.9735 & 2/70 shares of 8631	R & C	1,078	100.0%	Medium term
Continental Mansion (portion), 294-304 King's Road, North Point	R.P. of I.L. 7185	R & C	1,078	53.6%	Long term
Shing Wah Building (portion), 31 Shing Fong Street, Kwai Chung	K.C.T.L. 232	C	309	100.0%	Medium term
Kin Wah Mansion (portion), 176-178 Tung Lo Wan Road	I.L. 3578, 3579 & 3581	C	590	100.0%	Long term
Viking Court (portion), 165-166 Connaught Road West, Western District	M.L. 342 & 343	C	585	100.0%	Long term
Kam Wah Building (portion), 21 Shek Yam Road, Kwai Chung	K.C.T.L. 171	C	262	95.0%	Medium term
Floral Villas (portion), Tso Wo Hang, Sai Kung	D.D. 252 Lot 314	R & C	4,623	100.0%	Medium term
No.1, Barker Road	R.B.L. 810	R	1,352	100.0%	Medium term
Overseas					
Montgomery Plaza, 456 Montgomery Street, San Francisco, the United States of America	-	C	15,638 ^A	100.0%	Freehold

B PROPERTIES FOR RENTAL/SALE

Description	Lot Number	Type #	Approx. G.F.A. (M ²)	Group's interest
Hong Kong Floral Villas (portion), Tso Wo Hang, Sai Kung	D.D.252 Lot 314	R	3,838	100.0%
Sheung Wan Tai Sang Commercial Building (Hollywood Centre) (portion), 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	C	3,915	100.0%
Kam Wah Building (portion), 21 Shek Yam Road, Kwai Chung	K.C.T.L. 171	C	1,724	100.0%

C PROPERTIES FOR HOTEL OPERATION

Description	Lot Number	Type #	Approx. G.F.A. (M ²)	Group's interest
Hong Kong Sheung Wan Tai Sang Commercial Building (Hollywood Centre) (portion), 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	H	1,739	100.0%

D PROPERTIES FOR RESTAURANT OPERATION

Description	Lot Number	Type #	Approx. G.F.A. (M ²)	Group's interest
Hong Kong Sheung Wan Tai Sang Commercial Building (Hollywood Centre) (portion), 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	F	206	100.0%

E PROPERTIES UNDER DEVELOPMENT

Description	Lot Number	Type #	Approx. G.F.A. (M ²)	Group's interest	Expected completion
Hong Kong 43 Heung Yip Road, Aberdeen	A.I.L. 353	H	1,208	100.0%	2017

F OTHER PROPERTIES**Properties for own operations**

Description	Lot Number	Type #	Approx. G.F.A. (M ²)	Group's interest	Lease term
Hong Kong No.20 & No.22 (portion) Severn Road, The Peak	R.B.L. 1137	Q	1,905	100.0%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road	I.L. 646 Sec. A & Sec. B	Q	1,115	75.0%	Long term

Type #

G	:	Godown
I	:	Industrial
R	:	Residential
C	:	Commercial
H	:	Hotel operation
F	:	Restaurant operation
Q	:	Quarters for directors/senior management/staff
^	:	Net rentable area
G.F.A.	:	Gross floor area

FIVE-YEAR FINANCIAL SUMMARY

	2010	2011	2012	2013	2014
RESULTS					
(HK\$ thousand)					
Profit attributable to:					
– Owners of the Company	655,914	584,285	580,181	414,961	620,250
– Non-controlling interests	25,610	16,513	20,555	12,002	11,845
	<u>681,524</u>	<u>600,798</u>	<u>600,736</u>	<u>426,963</u>	<u>632,095</u>
Earnings per share	<u>HK\$2.28</u>	<u>HK\$2.03</u>	<u>HK\$2.02</u>	<u>HK\$1.44</u>	<u>HK\$2.16</u>
ASSETS AND LIABILITIES					
(HK\$ thousand)					
Total assets	4,210,882	4,942,134	5,600,525	6,112,599	6,912,414
Total liabilities	(514,108)	(669,541)	(775,448)	(913,679)	(1,113,725)
Total equity	<u>3,696,774</u>	<u>4,272,593</u>	<u>4,825,077</u>	<u>5,198,920</u>	<u>5,798,689</u>