



**HONG KONG FERRY (HOLDINGS) COMPANY LIMITED**  
**香港小輪(集團)有限公司**

(Stock Code 股份代號: 50)



Annual Report  
年報 2015





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Dr. Lam Ko Yin, Colin (*Chairman*)  
Mr. Li Ning

### Non-executive Directors:

Mr. Au Siu Kee, Alexander  
Mr. Lau Yum Chuen, Eddie  
Dr. the Hon. Lee Shau Kee  
Mr. Wong Man Kong, Peter

### Independent Non-executive Directors:

Mr. Ho Hau Chong, Norman  
Mr. Leung Hay Man  
Ms. Wong Yu Pok, Marina  
Mr. Wu King Cheong

## AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman (*Chairman*)  
Mr. Leung Hay Man  
Ms. Wong Yu Pok, Marina  
Mr. Wu King Cheong

## REMUNERATION COMMITTEE

Mr. Wu King Cheong (*Chairman*)  
Dr. Lam Ko Yin, Colin  
Mr. Li Ning  
Mr. Ho Hau Chong, Norman  
Mr. Leung Hay Man  
Ms. Wong Yu Pok, Marina

## NOMINATION COMMITTEE

Dr. Lam Ko Yin, Colin (*Chairman*)  
Mr. Li Ning  
Mr. Ho Hau Chong, Norman  
Ms. Wong Yu Pok, Marina  
Mr. Wu King Cheong

## GROUP GENERAL MANAGER

Ir. Dr. Ho Chi Shing, David

## COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

## AUDITOR

KPMG

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd. Hong Kong Branch  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
OCBC Wing Hang Bank Limited

## REGISTERED OFFICE

98 Tam Kon Shan Road  
TYTL 102  
Ngau Kok Wan  
North Tsing Yi  
New Territories  
Hong Kong

Telephone : (852) 2394 4294  
Facsimile : (852) 2786 9001  
Website : [www.hkf.com](http://www.hkf.com)  
E-Mail : [hkferry@hkf.com](mailto:hkferry@hkf.com)

## SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 50

## SHARE REGISTRAR

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

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

## DIRECTORS' PROFILE

**Dr. Lam Ko Yin, Colin**, *FCILT, FHKIoD, DB (Hon)*, aged 64, was appointed on 1 July 1986, is the Chairman of the Company. Dr. Lam has over 42 years' experience in banking and property development. He is also a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. Dr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.



**Dr. Lam Ko Yin, Colin**  
*Chairman*

**Mr. Li Ning**, *BSc, MBA*, aged 59, was appointed on 20 October 1989, is an Executive Director of the Company. Mr. Li is also an Executive Director of Henderson Investment Limited, a listed public company. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. He ceased to act as an Independent Non-executive Director of Glencore International plc on 2 May 2013 and previously served as an Executive Director of Henderson Land Development Company Limited, until his retirement on 2 June 2015, both are listed public companies. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Non-executive Director of the Company.



**Mr. Li Ning**

## ***DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)***



**Mr. Au Siu Kee, Alexander**

**Mr. Au Siu Kee, Alexander**, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 69, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au is a well-known banker in Hong Kong and has more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He has been appointed as an independent non-executive director of Henderson Investment Limited since 1 July 2015. He is currently an independent non-executive director of The Wharf (Holdings) Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr. Au was re-designated as an independent non-executive director of Henderson Land Development Company Limited, a listed public company, on 18 December 2012 until his retirement on 2 June 2015. An accountant by training, he is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.



**Mr. Lau Yum Chuen, Eddie**

**Mr. Lau Yum Chuen, Eddie**, aged 69, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 45 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Miramar Hotel and Investment Company, Limited, both of which are listed public companies. He previously served as an Executive Director of Henderson Investment Limited, a listed public company, until his retirement on 9 June 2011. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

## ***DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)***

**Dr. the Hon. Lee Shau Kee**, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 87, was appointed on 15 December 1981, is a Non-executive Director of the Company. He has been engaged in property development in Hong Kong for more than 60 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land"), the Chairman of The Hong Kong and China Gas Company Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Miramar Hotel and Investment Company, Limited. He is the founder, and continues to act as Executive Director of Henderson Investment Limited after his stepping down as Chairman and Managing Director on 1 July 2015. He was previously an Independent Non-executive Director of The Bank of East Asia, Limited until his resignation on 24 April 2013. All the above companies are listed public companies. Dr. Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Pataca, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning, an Executive Director of the Company.



**Dr. the Hon. Lee Shau Kee**

**Mr. Wong Man Kong, Peter**, *BBS, JP, BSc, FCILT, MRINA*, aged 67, was appointed on 9 March 1992, is a Non-executive Director of the Company. Mr. Wong was the President and Chief Executive Officer of the Company from 1992 to 1995. Mr. Wong has over 43 years of industrial, commercial and public service experience, having served as Director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee in 1996/1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. He is serving as a deputy to the 12th National People's Congress of the People's Republic of China. Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited. Currently he holds directorship of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments, Limited, Sun Hung Kai & Co. Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited and MGM China Holdings Limited, all of which are listed public companies.



**Mr. Wong Man Kong, Peter**

## ***DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)***



**Mr. Ho Hau Chong, Norman**

**Mr. Ho Hau Chong, Norman**, BA, ACA, FCPA, aged 60, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 24 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies. He was previously a director of Taifook Securities Group Limited. Mr. Ho previously served as a director of CITIC Pacific Limited, until 12 May 2011 and an independent non-executive director of Starlight International Holdings Limited, until his retirement on 26 August 2013, both are listed public companies.



**Mr. Leung Hay Man**

**Mr. Leung Hay Man**, FRICS, FCI Arb, FHKIS, aged 81, was appointed on 15 December 1981, and was re-designated as an Independent Non-executive Director of the Company on 15 October 2012. He is a Chartered Surveyor. Mr. Leung was also re-designated as an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited on 22 August 2012 and is an Independent Non-executive Director of The Hong Kong and China Gas Company Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

## ***DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)***

**Ms. Wong Yu Pok, Marina**, JP, aged 67, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including the Advisory Committee on Social Work Training and Manpower Planning, Lump Sum Grant Independent Complaints Handling Committee of the Social Welfare Department and is the Chairman of The Applied Research Council. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women, a director of China Tibetan Children Health & Education Fund and a director of The Child Development Centre at Matilda. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited and Kerry Logistics Network Limited, all of which are listed public companies in Hong Kong and an independent director of China World Trade Center Co. Ltd, which is listed on the Shanghai Stock Exchange.



**Ms. Wong Yu Pok, Marina**

**Mr. Wu King Cheong**, BBS, JP, aged 65, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. Mr. Wu is currently an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.



**Mr. Wu King Cheong**

## ***DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)***

### **SENIOR MANAGEMENT'S PROFILE**

The Senior Management of the Company is as follows:

Ir. Dr. Ho Chi Shing, David	Group General Manager and General Manager — Ferry and Property Operations
Mr. Fan Chi Ming, Paul	General Manager — Travel and Cruise Operations
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Wong Kam Chuen, Terence	Deputy General Manager — Finance and Accounts
Mr. Yuen Wai Kuen, Peter	Company Secretary

**Ir. Dr. Ho Chi Shing, David**, *JP, DBA, FCILT, FHKIE, FCIM, FHKIoD, MPIA, MCI Arb*, aged 59, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 35 years of experience in ferry operations. Dr. Ho was appointed as a Justice of the Peace in 2013. He is presently a member of the Logistics Industry Training Advisory Committee, the Deputy Convener of Transportation & Logistics Industry Consultative Network of Employees Retraining Board, a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxembourg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong, a member of the Standing Committee on Language Education and Research, the Chairman of Adventure-Ship, a board member of The Hong Kong Sea School, and an Adjunct Professor at the College of Business of City University of Hong Kong. Dr. Ho has been extensively involved in works of the Vocational Training Council and was awarded VTC Honorary Fellow Award in 2007. He is currently the Chairman of the Transport Logistics Training Board. Dr. Ho is also a General Committee Member and the Chairman of the Transport and Logistics Services Council of the Federation of Hong Kong Industries.

**Mr. Fan Chi Ming, Paul**, *BCS, DMS, MBA*, aged 67, joined the Company as Head of Group Business Development in 2010. He has been the General Manager of the travel and cruise operations since 2011. He has previously worked in Hong Kong Trade Development Council and has over 25 years of extensive experience in China trade and business promotion.

**Mr. Leung Shu Keung, Brian**, *BA, CIA, CRMA, CFE, CBM, PgD*, aged 54, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 26 years of experience in accounting, auditing and management assurance.

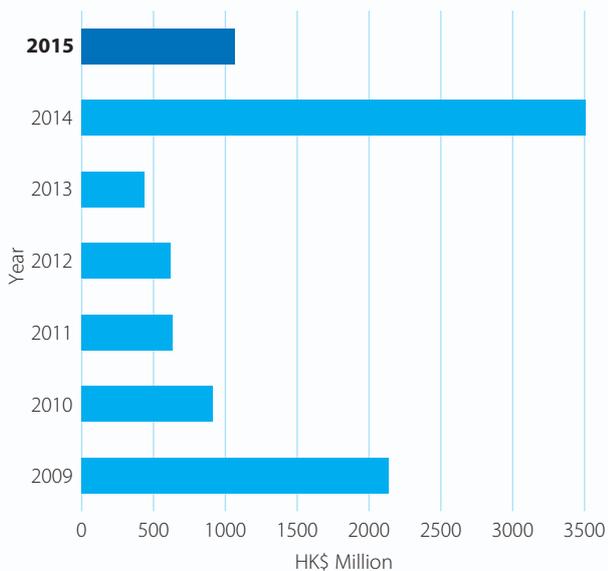
**Mr. Wong Kam Chuen, Terence**, *MCF, BA(Hons), FCCA, CPA, ACIS, ACS*, aged 47, has been the Deputy General Manager of Finance and Accounts Department of the Company since September 2013. He joined the Company in 1995 and has over 20 years of experience in accounting, auditing and corporate finance.

**Mr. Yuen Wai Kuen, Peter**, *BA(Hons), MBA, FCIS, FCS, FFA*, aged 57, has joined the Company in January 2005 and been appointed Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

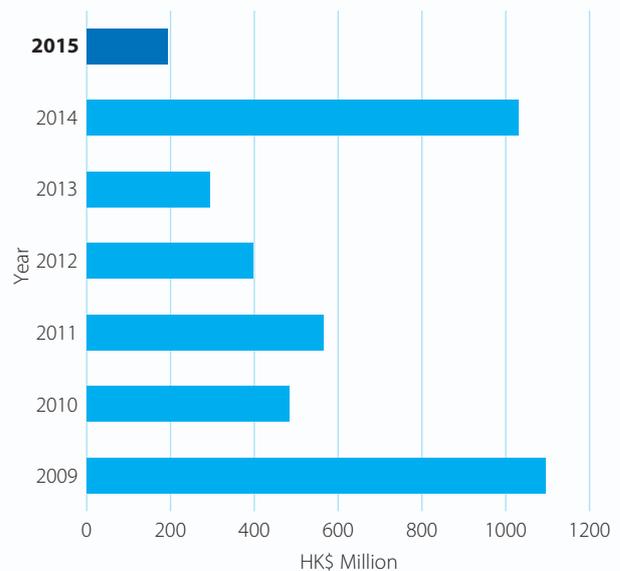
# FINANCIAL HIGHLIGHTS

		2015	2014	Variance
Revenue	HK\$M	<b>1,068</b>	3,507	-69.5%
Profit attributable to shareholders	HK\$M	<b>193</b>	1,031	-81.3%
Dividends	HK\$M	<b>128</b>	556	-77.0%
Shareholders' funds	HK\$M	<b>5,652</b>	5,823	-2.9%
Basic earnings per share	HK\$	<b>0.54</b>	2.89	-81.3%
Dividend per share	HK Cents	<b>36.0</b>	156.0	-76.9%
Dividend cover	Times	<b>1.5</b>	1.9	-21.1%
Return on equity	%	<b>3.4</b>	17.7	-80.8%
Net assets per share	HK\$	<b>15.9</b>	16.3	-2.5%

## Group Revenue



## Profit attributable to shareholders





# CHAIRMAN'S STATEMENT

I am pleased to present  
to the shareholders my report  
on the operations of the Group for  
the year ended 31 December  
2015.

## BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2015 amounted to approximately HK\$193 million, a decrease of 81% as compared with the profit after taxation of HK\$1,031 million last year. The earnings per share this year were HK\$0.54 compared with the earnings per share of HK\$2.89 in the previous year.

## DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2015 of HK26 cents per share (2014: final and second special dividends of HK26 cents and HK30 cents per share respectively). Subject to shareholders' approval at the annual general meeting to be held on Monday, 23 May 2016, the final dividend will be paid on or about Monday, 13 June 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 2 June 2016. The final dividend, together with the interim dividend of HK10 cents per share has already paid, will make a total distribution of HK36 cents for the full year.

## BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Metro6 and Green Code. The decrease in profit is mainly due to the profit derived from the sale of Metro6, a small scale development project completed in the year, is far less than that derived from the sale of Green Code, a large scale development project completed last year.

## Property Development and Investment Operations

During 2015, the Group had sold a total of 83 residential units of Metro6 and 19 residential units of Green Code contributing to a total profit of approximately HK\$158 million. The unsold residential units of Metro6 and Green Code were 12 and 10 respectively at the year end. The gross rental and other income from the commercial arcades of the Group amounted to approximately HK\$78 million.

The two floors of the commercial podium of Green Code have a gross floor area of approximately 136,000 sq. ft.. The leasing status of the commercial podium of Green Code was satisfactory with the committed occupancy rate stood at 79% at the year end.

The shops at the commercial podium of Metro6 were delivered to the tenants in the third quarter of 2015 and the committed tenancy was 97% at the year end. The commercial podium has a gross floor area of approximately 10,000 sq. ft..

The commercial arcades of Shining Heights and The Spectacle were fully let whereas the occupancy rate of the commercial arcades of Metro Harbour Plaza was about 98% at the year end.

In January 2016, the Group has launched the sale of the residential units of Harbour Park (Tung Chau Street project) in phases and the response is satisfactory. The project will provide a total gross floor area of approximately 55,000 sq. ft. and is expected to be completed in 2017.



### **Ferry, Shipyard and Related Operations**

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK\$14 million, an increase of 69% as compared with last year.

### **Travel Operation**

Due to the prolonged weakening of the local tourist and consumption market, the operating results of the Travel Operation recorded a deficit of HK\$9.5 million this year, representing an increase of 17% as compared with last year.

### **Securities Investment**

During the year, a loss of HK\$1.6 million in Securities Investment was recorded mainly due to the impairment loss on securities investment in excess of the income from and disposal gain of securities.

### **PROSPECTS**

The world economy is sluggish and the pace of economic growth in various countries will be different from each other. The economic recovery in the US caused the Federal Reserve to initiate the rise in the interest rate cycle, whereas the European Central Bank, due to the weak economy, expanded quantitative easing, widened negative interest rates and subsidised banks to encourage lending. The emerging markets are under the pressure of the strong US dollar, fall in commodity and oil prices, as well as poor demand in trade. These challenges are expected to persist in 2016.

It is expected that Hong Kong, affected by the above external factors, will likely have slow growth and weak external trade and tourism. The Government Budget forecast real gross domestic product to grow at 1%-2% in 2016, which is lower than last year.

The local property market is in a period of correction. The prices of medium and small-sized residential flats fell by around 10% in the past year, and are expected to further adjust in the coming year. The Group will take hold of future opportunities to replenish its land banks at fair prices.

The sale of the remaining residential units in Green Code and Metro6 will be the main source of income of the Group in 2016. Harbour Park, scheduled to be completed in 2017, will be the Group's major project for sale this year.

### **ACKNOWLEDGEMENT**

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the year.

**Lam Ko Yin, Colin**  
*Chairman*

Hong Kong, 18 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes to the financial statements.

## REVIEW OF RESULTS

The Group's revenue for the year amounted to approximately HK\$1,068 million, representing a decrease of 70% when compared to the previous year. This was mainly attributed to the decrease in the sale of residential units of Green Code.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2015, shareholders' fund of the Group showed a decrease of around 2.9% as compared to the previous year and amounted to approximately HK\$5,652 million. The decrease was mainly due to the net effect of the decrease in property sales, impairment loss on securities and the payment of dividends.

There was no change as to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the sale of residential units of Green Code and Metro6.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$2.2 million was received from an associate which provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK\$3,224 million as compared to the current liabilities of approximately HK\$472 million as of 31 December 2015. Current ratio of the Group had been increased to 6.8, mainly attributed to the decrease in trade and other payables.

## GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2015, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

## EMPLOYEES

As at 31 December 2015, the number of employees of the Group stood at about 300 (2014: about 300). The remuneration packages to employees were commensurate to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK\$99 million, which was commensurate with that recorded in the previous year.

# REPORT OF THE DIRECTORS

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2015.

## PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the “Company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses, travel operation and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the “Group”) during the financial year are set out in note 3 to the financial statements.

## BUSINESS REVIEW

A review of the business of the Group during the year is provided in Management Discussion and Analysis on page 12 and Chairman’s Statement on pages 10 and 11. A discussion on the Group’s future business development is provided in the Chairman’s Statement on pages 10 and 11 of this Annual Report. Description of the principal risks and uncertainties that the Group may be facing can be found in the Chairman’s Statement on pages 10 and 11 and the section of Risk Management and Internal Controls on page 34 of Corporate Governance Report of this Annual Report. Financial risk management of the Group can be found in note 24(a) to (d) to the financial statements on pages 119 to 122 of this Annual Report. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Financial Highlights on page 9 and Ten Years’ Financial Summary on pages 136 and 137 of this Annual Report respectively.

Discussions on the Group’s environmental policies, relationships with its key stakeholders which have a significant impact on the Group are contained in Environmental, Social and Governance Report on pages 38 to 58 of this Annual Report. These discussion forms part of this Report of the Directors.

## Discussion on Environmental Policies and Performance

We are fully aware of the environmental impacts arising from our operations and are committed to managing and mitigating our environmental footprint. An Environmental Policy has been established and implemented throughout our Principle Office and Shipyard Operation, stipulating the responsibility of environmental protection for all of our employees and contractors, while governing the environmental performance of our daily operations. An Energy and Carbon Management Programme was initiated to undertake an annual carbon audit within our Shipyard Operation and Dangerous Goods Vehicular Ferry Services Operation. Carbon audit reports are well circulated amongst management to review current emissions performance and identify further improvement strategies. Our Principle Office and subsidiaries invested in retrofits with the purpose of reducing energy consumption. Old engines and generators have also been replaced in our vehicular fleet and green coaches have been employed by our travel company to mitigate emissions.

## Account of Key Relationships with Employees, Customers and Suppliers

Our Group adheres to the highest standards of business ethics, this underpins how we conduct business with our customers, suppliers and contractors.

### Employees

We value our employees who are the Group’s most important assets. We reward our staff with competitive remuneration packages and benefits. We are committed to fostering a conducive, harmonious and discrimination-free working environment. We also invest in our employees by setting aside a separate training budget to subsidise their continued professional development.

Occupational health and safety is the top priority across our operations. Safety guidelines are established and reviewed on a regular basis, safeguarding our employees from any occupational hazards.

## REPORT OF THE DIRECTORS (CONTINUED)

### BUSINESS REVIEW (Continued)

#### Account of Key Relationships with Employees, Customers and Suppliers (Continued)

##### Customers

We strive to provide high quality and reliable services to our customers. The privacy of our clients' personal information is well protected through a privacy policy and dedicated data protection systems. Customer satisfaction surveys are conducted regularly to seek feedback from clients regarding our service quality, results of which are gathered and analysed to review the Group's performance. Any complaints from customers are handled and investigated in a thorough and efficient manner.

##### Suppliers

We are committed to forging collaborative partnerships with our suppliers and have a database of approved suppliers and vendors who are assessed on a regular basis.

#### Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

During the reporting year there were no cases of non-compliance with relevant standards, laws and regulations on the environment, occupational health and safety and data privacy in Hong Kong.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	16.1%
Five largest suppliers in aggregate	32.9%

No analysis in respect of the Group's major customers is shown as the percentage of revenue attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

### SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2015 are set out in note 13 to the financial statements.

### FINANCIAL STATEMENTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 61 to 134.

An interim dividend of HK10 cents per share (2014: interim dividend of HK10 cents per share and first special dividend of HK90 cents per share) were paid on 25 September 2015. The Board of Directors now recommended the payment of a final dividend for the year ended 31 December 2015 of HK26 cents per share (2014: final and second special dividends of HK26 cents and HK30 cents per share respectively). Subject to shareholders' approval at the annual general meeting to be held on Monday, 23 May 2016 (the "2016 AGM"), the final dividend will be paid on or about Monday, 13 June 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 2 June 2016.

### CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$3,960 (2014: HK\$6,626).

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

### DIRECTORS

The directors of the Company during the year ended 31 December 2015 and up to the date of this report were:

#### Executive Directors

Dr. Lam Ko Yin, Colin (*Chairman of the Board*)

Mr. Li Ning

#### Non-executive Directors

Mr. Au Siu Kee, Alexander

Mr. Lau Yum Chuen, Eddie

Dr. the Hon. Lee Shau Kee

Mr. Wong Man Kong, Peter

#### Independent Non-executive Directors

Mr. Ho Hau Chong, Norman

Mr. Leung Hay Man

Ms. Wong Yu Pok, Marina

Mr. Wu King Cheong

A list of the names of the Directors of the Group's subsidiaries is available on the website of the Company ([www.hkf.com](http://www.hkf.com)).

In accordance with Article 103(A) of articles of association of the Company (the "Articles of Association") and Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Li Ning, Mr. Au Siu Kee, Alexander, Mr. Ho Hau Chong, Norman and Mr. Wu King Cheong shall retire by rotation at the forthcoming AGM, and, being eligible, offer themselves for re-election. Mr. Ho Hau Chong, Norman and Mr. Wu King Cheong have served as Independent Non-executive Directors of the Company for more than nine years. Under the Corporate Governance Code, their further appointment should be subject to separate resolution to be approved by the shareholders.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management are set out on pages 3 to 8 of this Annual Report.

### DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of Directors' and Chief Executive's emoluments are set out in note 7 to the financial statements.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the "Connected Transactions" as disclosed in this report, no other transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

### DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2016 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

### PERMITTED INDEMNITY PROVISION

According to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Companies Ordinance, Chapter 622 of the Laws of Hong Kong which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## REPORT OF THE DIRECTORS (CONTINUED)

### DISCLOSURE OF INTERESTS

#### Directors' Interests in Securities

As at 31 December 2015, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### Interests

	THE COMPANY				Approximate percentage of the total number of issued shares
	Personal Interests <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>	Total Interests <i>Number of Shares</i>	
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	799,220	119,017,090 <i>(Note 5 on page 18)</i>	–	119,816,310	33.63%
Mr. Leung Hay Man	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	119,017,090 <i>(Note 4 on page 18)</i>	119,017,090	33.41%
Mr. Wong Man Kong, Peter	1,051,000	–	–	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

	2OK COMPANY LIMITED	
	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>
Dr. Lee Shau Kee <i>(Note 1)</i>	5	–
Mr. Li Ning <i>(Note 2)</i>	–	5

	WINWIDE LIMITED	
	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>
Dr. Lee Shau Kee <i>(Note 3)</i>	70	–
Mr. Li Ning <i>(Note 4)</i>	–	70

## **DISCLOSURE OF INTERESTS (Continued)**

### **Directors' Interests in Securities (Continued)**

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 5 shares in 2OK Company Limited.
2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.
3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest. HD beneficially owned more than one-third of the total number of issued shares of HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.
4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2015.

## REPORT OF THE DIRECTORS (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2015, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of the total number of issued shares
<b>Substantial Shareholders</b>		
Henderson Land Development Company Limited (Note 1)	119,017,090	33.41%
Pataca Enterprises Limited (Note 1)	119,017,090	33.41%
Wiselin Investment Limited (Note 1)	48,817,090	13.70%
Henderson Development Limited (Note 2)	119,017,090	33.41%
Hopkins (Cayman) Limited (Note 3)	119,017,090	33.41%
Rimmer (Cayman) Limited (Note 3)	119,017,090	33.41%
Riddick (Cayman) Limited (Note 3)	119,017,090	33.41%
Mr. Li Ning (Note 4)	119,017,090	33.41%
Dr. Lee Shau Kee (Note 5)	119,816,310	33.63%
<b>Persons other than Substantial Shareholders</b>		
Graf Investment Limited (Note 1)	23,400,000	6.57%
Mount Sherpa Limited (Note 1)	23,400,000	6.57%
Paillard Investment Limited (Note 1)	23,400,000	6.57%

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").
2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.
3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.
4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.
5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 31 December 2015.

Save as disclosed, as at 31 December 2015, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

## **RESERVES**

Profits attributable to shareholders, before dividend, of HK\$192,915,000 (2014: HK\$1,031,411,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the financial statements.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES**

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

## **EQUITY-LINKED AGREEMENTS**

For the year ended 31 December 2015, the Company has not entered into any equity-linked agreements.

## **FINANCIAL SUMMARIES**

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 135 to 137 of this Annual Report.

## **GROUP PROPERTIES**

A summary of the Group's properties is set out on pages 138 and 139 of this Annual Report.

## **RETIREMENT PLANS**

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 16 to the financial statements.

## REPORT OF THE DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 28 to the financial statements.

#### Continuing Connected Transactions

For the year ended 31 December 2015, the Company and/or its subsidiaries have been entered into certain continuing connected transactions, with details below, which were subject to reporting, and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules:

Date	Connected Persons	Transactions
1. 5 September 2013	Henderson Real Estate Agency Limited ("HREAL"), a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD")	<p>Hung Hom Project Management Agreement between Well Dynamic Limited ("WDL"), a wholly-owned subsidiary of the Company, and HREAL, for the appointment of HREAL as the project manager for the development of Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong (the "Hung Hom Property") for a term of three years commencing from 5 September 2013.</p> <p>The aggregate remuneration for the services to be provided by HREAL shall be subject to a total annual ceiling of HK\$2,300,000 for the year ended 31 December 2015.</p> <p>Details of the Hung Hom Project Management Agreement were set out in the announcement of the Company dated 5 September 2013.</p>
2. 24 December 2013	Henderson Property Agency Limited ("HPAL"), a wholly-owned subsidiary of HLD	<p>Hung Hom Sales Management Agreement between WDL and HPAL, for the appointment of HPAL as the sales manager of the development of the Hung Hom Property for a term of three years commencing from 1 January 2014.</p> <p>The sales fee of half of one per cent. (0.5%) of the gross proceeds of sale of the residential units and other portions of the Hung Hom Property shall be subject to the ceiling of HK\$1,000,000 for the year ended 31 December 2015.</p> <p>Details of the Hung Hom Sales Management Agreement were set out in the announcement of the Company dated 24 December 2013.</p>

**CONNECTED TRANSACTIONS (Continued)**

**Continuing Connected Transactions (Continued)**

Date	Connected Persons	Transactions
3. 28 March 2014	Citistore (Hong Kong) Limited ("Citistore"), an indirectly non-wholly owned subsidiary of HLD	<p>The Group (by HREAL as agent) entered into the Tenancy Renewal Agreement with Citistore as tenant for renewing the tenancy of Shop Nos. G01, Portion of G31, G35–G50, Portion of G51, Portion of G52, G63–G74 and corridors and atrium on Ground Floor, and Shop Nos. 127–161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong.</p> <p>The Group (by HREAL as agent) also entered into an External Wall Signage Licence Agreement and an Entrance Signage Licence Agreement with Citistore as licensee for licensing of three external wall signages at MHP and one signage at the entrance of MHP, respectively.</p> <p>The Tenancy Renewal Agreement, the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are for a term of three years commencing from 1 July 2014.</p> <p>The aggregate rentals, management fees, air-conditioning charges, promotional levy and other miscellaneous charges (exclusive of Government rates) under the Tenancy Renewal Agreement and the licence fees under the Licence Agreements, subject to annual ceiling of HK\$13,200,000 for the year ended 31 December 2015.</p> <p>Details of the Tenancy Renewal Agreement, the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement were set out in the announcement of the Company dated 28 March 2014.</p>

## REPORT OF THE DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (Continued)

#### Continuing Connected Transactions (Continued)

Date	Connected Persons	Transactions
4. 5 August 2014	HPAL and Miramar Hotel and Investment Company, Limited ("Miramar"), of which HLD is a substantial shareholder	<p>Letter Agreement between WDL and HPAL to lease portions of Shops 501–502 and 503A–C, 5th Floor, Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Premises") for use as show flats and sales office of the Hung Hom Property for the period from 5 August 2014 to the completion date (the earlier of 4 April 2015 and the date on which the last residential unit in the Hung Hom Property to be sold is sold). WDL was the principal and HPAL acted as agent of WDL under the Miramar/HPAL Agreement, as disclosed in the announcement of Miramar dated 10 July 2014.</p> <p>The aggregate rents, fees and other charges (exclusive of Government rates) to HPAL under the Letter Agreement for the period from 1 January 2015 to 4 April 2015 shall be a maximum of HK\$1,100,000.</p> <p>Details of the Letter Agreement were set out in the announcement of the Company dated 5 August 2014. The Letter Agreement expired on 4 April 2015.</p>
20 March 2015	HPAL and Miramar	<p>Second Letter Agreement between WDL and HPAL to lease the Premises for the continuation of use as show flats and sales office of the Hung Hom Property for the period from 5 April 2015 to the completion date (the earlier of 4 July 2015 and the date on which the last residential unit in the Hung Hom Property to be sold is sold). WDL was the principal and HPAL acted as agent of WDL under the Miramar/HPAL Agreement, as disclosed in the announcement of Miramar dated 10 July 2014.</p> <p>The aggregate rents, fees and other charges (exclusive of Government rates) to HPAL under the Second Letter Agreement for the period from 5 April 2015 to 4 July 2015 shall be a maximum of HK\$1,000,000.</p> <p>Details of the Second Letter Agreement were set out in the announcement of the Company dated 20 March 2015. The Second Letter Agreement expired on 4 July 2015.</p>

**CONNECTED TRANSACTIONS (Continued)**

**Continuing Connected Transactions (Continued)**

Date	Connected Persons	Transactions
17 July 2015	HPAL and Miramar	<p>Third Letter Agreement between WDL and HPAL to lease the Premises for the continuation of use as show flats and sales office of the Hung Hom Property for the period from 5 July 2015 to the completion date (the earlier of 4 October 2015 and the date on which the last residential unit in the Hung Hom Property to be sold is sold). WDL was the principal and HPAL acted as agent of WDL under the Miramar/HPAL Agreement, as disclosed in the announcement of Miramar dated 10 July 2014.</p> <p>The aggregate rents, fees and other charges (exclusive of Government rates) to HPAL under the Third Letter Agreement for the period from 5 July 2015 to 4 October 2015 shall be a maximum of HK\$1,000,000.</p> <p>Details of the Third Letter Agreement were set out in the announcement of the Company dated 17 July 2015. The Third Letter Agreement expired on 4 October 2015.</p>
5. 28 October 2014	Heng Lai Construction Company Limited ("Heng Lai"), a wholly-owned subsidiary of HLD	<p>Fanling Prime Cost Contract Extension Letter between World Light Limited, a wholly-owned subsidiary of the Company and Heng Lai, to extend the period of payment of fees commencing from 1 June 2014 under the Fanling Prime Cost Contract dated 15 March 2011 for the appointment of Heng Lai as the main contractor of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177). The Fanling Prime Cost Contract expired on 31 May 2014.</p> <p>The aggregate of the prime costs of all works carried out by Heng Lai itself or by any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to a total annual ceiling of HK\$19,000,000 for the year ended 31 December 2015.</p> <p>Details of the Fanling Prime Cost Contract Extension Letter were set out in the announcement of the Company dated 28 October 2014.</p>

## REPORT OF THE DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (Continued)

#### Continuing Connected Transactions (Continued)

Date	Connected Persons	Transactions
6. 30 October 2015	HREAL	<p>TCS Project Management Agreement between Jet Legend Limited ("JLL"), a wholly-owned subsidiary of the Company and HREAL for the appointment of HREAL as the project manager, for the development of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 2 November 2015.</p> <p>The aggregate remuneration for the services to be provided by HREAL shall be subject to a total annual ceiling of HK\$1,500,000 for the year ended 31 December 2015.</p> <p>Details of the TCS Project Management Agreement were set out in the announcement of the Company dated 30 October 2015.</p>
7. 30 October 2015	Heng Tat Construction Company Limited ("Heng Tat"), a wholly-owned subsidiary of HLD	<p>TCS Prime Cost Contract between JLL and Heng Tat, for the appointment of Heng Tat as the main contractor for the development of the TCS Property for a term of three years commencing from 2 November 2015.</p> <p>The aggregate of the prime costs of all works carried out by Heng Tat itself or by any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to a total annual ceiling of HK\$1,260,000 for the year ended 31 December 2015.</p> <p>Details of the TCS Prime Cost Contract were set out in the announcement of the Company dated 30 October 2015.</p>

**CONNECTED TRANSACTIONS (Continued)**

**Continuing Connected Transactions (Continued)**

Date	Connected Persons	Transactions
8. 30 October 2015	HPAL	<p>TCS Sales Management Agreement between JLL and HPAL for the appointment of HPAL as the sales manager for the development of the TCS Property for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed TCS Development.</p> <p>The sales fee of half of one per cent. (0.5%) of the gross proceeds of sale of the residential units and other portions of the TCS Property shall be subject to the ceiling of HK\$700,000 for the year ended 31 December 2015.</p> <p>Details of the TCS Sales Management Agreement were set out in the announcement of the Company dated 30 October 2015.</p>
9. 30 October 2015	HPAL and Miramar	<p>Letter Agreement between JLL and HPAL to lease the Premises for the show flats and sales office of the TCS Property for the period from 5 November 2015 to the completion date (the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property to be sold is sold). JLL was the principal and HPAL acted as agent of JLL under the Miramar/HPAL Agreement, as disclosed in the announcement of Miramar dated 10 July 2014.</p> <p>The aggregate rents, fees and other charges (exclusive of Government rates) to HPAL shall be subject to a total annual ceiling of HK\$2,000,000 for the year ended 31 December 2015.</p> <p>Details of the Letter Agreement were set out in the announcement of the Company dated 30 October 2015.</p>

## REPORT OF THE DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (Continued)

#### Continuing Connected Transactions (Continued)

Details of the above continuing connected transactions are set out in note 28 to the financial statements.

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions for the year ended 31 December 2015 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and 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 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 an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 20 to 26 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions for the year ended 31 December 2015 (i) have received the approval of the Board of Directors or Connected Transaction Committee which was set up by the Board of Directors of the Company; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

### CORPORATE GOVERNANCE

The Company is committed to maintaining the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 27 to 37 of this Annual Report.

### AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2015 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

### AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2016 AGM.

On behalf of the Board

**Lam Ko Yin, Colin**  
*Chairman*

**Li Ning**  
*Director*

Hong Kong, 18 March 2016

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors (the “Board”) is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders’ value as a whole.

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2015. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

## BOARD OF DIRECTORS

### Responsibility and delegation

The Board is primarily responsible for considering and deciding on matters covering overall Group strategies, business and investment plans, major acquisitions and disposals, annual financial budgets, approving annual reports and interim reports, announcement of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and oversee the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and internal audit function, and their respective training programmes and budget, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the articles of association of the Company (the “Articles of Association”) and the Board will from time to time delegate the functions to the management whenever required. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board focuses its attention on matters affecting the Company’s long term objectives and plans for achieving these objectives, the Group’s overall business and commercial strategy as well as overall policies and guidelines.

The Board has established board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

Board meetings are held regularly four times a year and additional meetings are held as and when required to discuss significant matters or important issues. In order to meet tight time constraints and make timely decision for the Company’s policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association. Directors’ attendance by electronic means including telephone conferencing is counted as attendance at a physical board meeting. The Company Secretary shall attend all regular board meetings and additional meetings to advise on statutory compliance and corporate governance, when necessary.

During the year, the Chairman, even though he is an Executive Director, held a meeting with all Non-executive Directors (including all Independent Non-executive Directors) without the presence of another Executive Director.

All Directors have been provided, on a monthly basis, with the Group’s management information updates, giving a balanced and understandable assessment of the Group’s performance, position, and budget, to keep them abreast of the Group’s affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMPOSITION

The Board comprises ten Directors including two Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. The names of the Directors of the Company are as follows:

#### Executive Directors

Dr. Lam Ko Yin, Colin (*Chairman of the Board*)  
Mr. Li Ning

#### Non-executive Directors

Mr. Au Siu Kee, Alexander  
Mr. Lau Yum Chuen, Eddie  
Dr. the Hon. Lee Shau Kee  
Mr. Wong Man Kong, Peter

#### Independent Non-executive Directors

Mr. Ho Hau Chong, Norman  
Mr. Leung Hay Man  
Ms. Wong Yu Pok, Marina  
Mr. Wu King Cheong

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 3 to 7 of this Annual Report. A list of the Directors and their role and function is available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and Hong Kong Exchanges and Clearing Limited ("HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of issued shares of the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee, Dr. Lam Ko Yin, Colin and Mr. Lau Yum Chuen, Eddie are executive directors of Henderson Land Development Company Limited ("HLD"). Mr. Wu King Cheong and Mr. Leung Hay Man are independent non-executive directors of HLD. HLD has discloseable interests under the provisions of the SFO in the Company.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

The Board adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board in August 2013. The Board noted that the measurable objectives have been set for implementing the policy. In addition, the Board is satisfied that its composition is appropriate being considered the skills, experience and attributes of the Directors. The Nomination Committee of the Company will monitor the implementation of the Board Diversity Policy and review the policy as appropriate.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee of the Company is responsible to review the structure, size, diversity and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account that person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

Mr. Ho Hau Chong, Norman, who was appointed as Independent Non-executive Director of the Company since March 1995, had served as Independent Non-executive Director for more than nine years. Mr. Ho is also the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company. Despite Mr. Ho has other directorships as mentioned in the section of "Confirmation of Independence" on page 30 of this Corporate Governance Report, he does not have any management role in the Company. The Nomination Committee considered that Mr. Ho has continuously contributed to the Company and the Board with his relevant experience and knowledge throughout his years of service.

## **APPOINTMENT AND RE-ELECTION OF DIRECTORS** (Continued)

Mr. Wu King Cheong, who was appointed as Independent Non-executive Director of the Company since January 2005, had served as Independent Non-executive Director for more than nine years. Mr. Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Taking into consideration of his independent scope of works in the past years, the Board considers Mr. Wu to be independent under the Listing Rules despite the fact that he had served the Company for more than nine years and served as common directors of HLD, Henderson Investment Limited and Miramar Hotel and Investment Company, Limited ("Miramar"), all of which are listed public companies. Also, Mr. Wu has not engaged in any executive management of the Group.

Besides, during their tenure of office, Mr. Ho and Mr. Wu have been providing objective and independent views to the Company over the years, and they remain committed to their independent roles. Accordingly, Mr. Ho and Mr. Wu will retire by rotation in accordance with the Articles of Association at the annual general meeting to be held on Monday, 23 May 2016. Their further appointment should be subject to each of a separate resolution to be approved by shareholders.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

According to the Articles of Association, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

In accordance with the Articles of Association, no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders of the Company.

In addition, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the website of the Company ([www.hkf.com](http://www.hkf.com)) and to the section of "Procedures for Shareholders to propose a person for election as a director" on page 37 of this Corporate Governance Report.

## **CHAIRMAN AND GROUP GENERAL MANAGER**

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances effect.

The role of the Chairman of the Board is taken by Dr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Ir. Dr. Ho Chi Shing, David. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

## **NON-EXECUTIVE DIRECTORS**

The Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules of having at least three independent non-executive directors, representing one-third of the Board. One of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

All Non-executive Directors (including Independent Non-executive Directors) of the Company have been appointed for a specific term to 31 December 2016. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

### CONFIRMATION OF INDEPENDENCE

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar and a director of Wealth Team Development Limited (“Wealth Team”), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar Group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an independent non-executive director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

Mr. Leung Hay Man had certain services rendered in the past falling within the independence guideline in Rule 3.13(3) of the Listing Rules, and had/has previous/existing directorships falling within the independence guideline in Rule 3.13(7) of the Listing Rules, among the factors affecting independence.

Mr. Leung owns a company (the “Consultancy Co”) which used to provide general consultancy services to the Company for certain years. The Consultancy Co has stopped providing services to the Company and no service fee has been paid by the Company to it as from June 2012. Given that the consultancy fee paid by the Company was insignificant and immaterial, the Company considers that such services rendered in the past have no bearing on his independence.

Having regard that the previous non-executive directorships of Mr. Leung involved no active management role in the Company, HLD and Henderson Investment Limited and that Mr. Leung has been re-designated as an independent non-executive director of each of HLD and Henderson Investment Limited from August 2012, the Company considers that the previous non-executive roles of Mr. Leung in the Company, HLD and Henderson Investment Limited have no bearing on his independence as an

Independent Non-executive Director of the Company. Save as aforesaid, Mr. Leung has complied with other conditions set out in Rule 3.13 of the Listing Rules.

The Board has received an annual confirmation of independence from each of Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, independent non-executive directors of the Company, pursuant to Rule 3.13 of the Listing Rules.

All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

### DIRECTORS’ INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the “Companies Ordinance”) and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend three in-house workshops with distinguished speakers from the professional fields on topics of legal, commercial and risk management.

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records maintained by the Company, the Directors received the following training(s) in compliance with the requirement of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2015:

Board of Directors	Type of trainings
<b>Executive Directors</b>	
Dr. Lam Ko Yin, Colin ( <i>Chairman of the Board</i> )	a, b, c
Mr. Li Ning	a, b, c
<b>Non-executive Directors</b>	
Mr. Au Siu Kee, Alexander	a, b, c
Mr. Lau Yum Chuen, Eddie	a, b, c
Dr. Lee Shau Kee	a, b, c
Mr. Wong Man Kong, Peter	a, b, c
<b>Independent Non-executive Directors</b>	
Mr. Ho Hau Chong, Norman	a, b, c
Mr. Leung Hay Man	a, b, c
Ms. Wong Yu Pok, Marina	a, b, c
Mr. Wu King Cheong	a, b, c

a: corporate governance

b: regulatory

c: accounting, finance or risk management

## DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## BOARD COMMITTEES

The Board has established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

### Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Audit Committee was reviewed by the Board and has also been updated in the year to enhance the procedures and align with regulatory requirements (including the amendments to the Listing Rules on risk management and internal controls applicable from 1 January 2016). The revised terms of reference of the Audit Committee are available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

The major duties and responsibilities of the Audit Committee are to review of the annual and interim results and oversight of the Company's financial reporting principles and practices; to recommend the appointment and re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor. The Audit Committee oversees the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function and internal audit function of the Group. The Audit Committee also oversees the risk management of the Group and discusses with the external auditor on financial reporting and compliance. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and annual results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMMITTEES (Continued)

#### Audit Committee (Continued)

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and the financial statements for the year ended 31 December 2014 with recommendation to the Board for approval, the Annual Internal Audit Report, the continuous professional development records of Directors and senior management, Continuing Connected Transactions, reviewed of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions and internal audit function, the interim results for the six months ended 30 June 2015, the Interim Internal Audit Report, to approve the remuneration and terms of engagement of the external auditor, the works of the Company's internal audit department, assessed the effectiveness of the Company's systems of risk management and internal controls, reviewed the revised terms of reference of the Audit Committee and recommended to the Board for approval which has been updated in the year to enhance the procedures and align with regulatory requirements (including the amendments to the Listing Rules on risk management and internal controls applicable from 1 January 2016).

The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

As a recommended best practice under the Code, the Company has adopted a whistle-blowing policy. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

#### Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises four Independent

Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man and Ms. Wong Yu Pok, Marina and two Executive Directors namely Dr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee are available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy.

The Remuneration Committee is responsible for reviewing the policy and structure for the emolument of all Directors and senior management of the Company, assessing performance of executive directors and establishment of a formal and transparent procedure for developing policy on such emolument.

The emolument of the Directors and senior management is determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the emolument package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, etc.

During the year, one remuneration committee meeting was held and two resolutions in writing signed by all Remuneration Committee members. During the meeting, the Remuneration Committee members reviewed and determined the emolument package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2015. The Remuneration Committee members reviewed and recommended the amendments to the extension of retirement age of the employees of the Group by resolutions in writing.

## **BOARD COMMITTEES (Continued)**

### **Nomination Committee**

The Nomination Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Dr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee are available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and the HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Nomination Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

During the year, there is no change in the composition of the Board and one nomination committee meeting was held. During the meeting, the Nomination Committee members reviewed the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board, assessed the independence of independent non-executive Directors and reviewed the independent non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; reviewed the time required

for a Director to perform his responsibilities reviewed and made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 26 May 2015.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for relevant employees (including employees of the Company or Directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of inside information in relation to the Company or its securities), in respect of their dealings in the securities of the Company.

## **POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION**

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the website of the Company ([www.hkf.com](http://www.hkf.com)).

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **COMPANY SECRETARY**

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the year, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" on page 8 of this Annual Report.

### **ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period to give a true and fair view of the financial position and financial performance of the Group. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 59 and 60 of this Annual Report.

#### **Auditor's Remuneration**

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2015, the fee of the annual audit amounted to HK\$1,689,000 whereas the fee for the interim review amounted to HK\$305,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

#### **Risk Management and Internal Controls**

The Company maintains a comprehensive and effective internal control system on income, capital and revenue expenditures. As part of internal audit, the Company has its own internal audit

department and maintained a system of internal control, with manuals guiding internal controls on business operation and conducted audits of all branches of operations on a regular basis. The Internal Audit Department would recommend improvement and strengthening in the implementation of all internal control systems. The Company and the Directors will review the effectiveness of the internal control system from time to time to meet with the changing business operation environment.

During the year ended 31 December 2015, the Internal Audit Department has conducted a review of the effectiveness of the system of internal control on the areas of financial, operational and compliance controls and risk management functions.

The members of the Risk Management Committee met twice in February and July 2015 respectively. The senior management and the Internal Audit Manager had identified the relevant risks of the operational units and the control strategies of the Company and incorporated significant risk management and control strategies in the internal audit reports for the review of the Audit Committee members.

The Internal Audit Manager, who is independent to the Company's daily operations, reports directly to the Audit Committee and Group General Manager and regularly conducts audits of the practices, procedures, expenditures and internal control for business operations and corporate functions of the Company.

In view of the amendments to the Listing Rules on risk management and internal controls applicable from 1 January 2016, the Internal Audit Department adopted a risk-based approach which included all significant risks in each year's annual audit plan. Details of the significant risks are set out in the risk register. The risk register tracks the consequences and likelihood of risks, the risk rating and control strategies of the Group. The risk register has been reviewed by the Risk Management Committee during the year.

Certain significant risks such as business risk, financial risk, litigation risk and operational risk have been identified during the year through the process of risk identification and assessment. Relevant control strategies and mitigation on significant risks have been reported to Audit Committee.

## ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

Details of the attendance of each director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year ended 31 December 2015 and Annual General Meeting held on 26 May 2015 ("AGM") are set out in the following table:

Board of Directors	Number of Meetings attended/held				
	BM	ACM	RCM	NCM	AGM
<b>Executive Directors</b>					
Dr. Lam Ko Yin, Colin <i>(Note 1)</i>	4/4	N/A	1/1	1/1	1/1
Mr. Li Ning <i>(Note 2)</i>	4/4	N/A	1/1	1/1	1/1
<b>Non-executive Directors</b>					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	0/1
Dr. Lee Shau Kee	0/4	N/A	N/A	N/A	0/1
Mr. Wong Man Kong, Peter	2/4	N/A	N/A	N/A	0/1
<b>Independent Non-executive Directors</b>					
Mr. Ho Hau Chong, Norman <i>(Note 3)</i>	4/4	2/2	1/1	1/1	1/1
Mr. Leung Hay Man <i>(Note 4)</i>	4/4	2/2	1/1	N/A	1/1
Ms. Wong Yu Pok, Marina <i>(Note 5)</i>	4/4	2/2	1/1	1/1	1/1
Mr. Wu King Cheong <i>(Note 6)</i>	4/4	2/2	1/1	1/1	1/1

Notes:

1. *Chairman of the Board, Member of the Remuneration Committee and Chairman of the Nomination Committee*
2. *Member of the Remuneration Committee and the Nomination Committee*
3. *Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee*
4. *Member of the Audit Committee and the Remuneration Committee*
5. *Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*
6. *Member of the Audit Committee, Chairman of the Remuneration Committee and Member of the Nomination Committee*

### COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with shareholders.

The Board has adopted a shareholders communication policy to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company has established an effective communication system. The Company also maintains a website ([www.hkf.com](http://www.hkf.com)) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's external auditor maintained an on-going dialogue with the shareholders and answered questions raised by the shareholders throughout the last annual general meeting held on 26 May 2015.

### SHAREHOLDERS' RIGHTS

Set out below are procedures by which shareholders may: (1) request to call a general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Articles of Association and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

#### 1. Procedures by which shareholders may request to call a general meeting

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request: (a) must state the general nature of the business to be dealt with at the general meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting; (c) may consist of several documents in like form; (d) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at [hkferry@hkf.com](mailto:hkferry@hkf.com); and (e) must be authenticated by the shareholders making it.

Pursuant to Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which it becomes subject to the requirement and a general meeting so called must be held on a date not more than 28 days after the date of the notice convening a general meeting. If the Directors do not do so, the shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a general meeting. Any reasonable expenses incurred by the shareholders by reason of the Board's failure to duly call the meeting shall be reimbursed to the shareholders by the Company.

## **SHAREHOLDERS' RIGHTS (Continued)**

### **2. Procedures for putting forward enquiries to the Board**

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary  
Hong Kong Ferry (Holdings) Company Limited  
98 Tam Kon Shan Road  
TYTL 102  
Ngau Kok Wan  
North Tsing Yi  
New Territories  
Hong Kong

E-Mail: [hkferry@hkf.com](mailto:hkferry@hkf.com)  
Telephone: (852) 2394 4294  
Facsimile: (852) 2786 9001

### **3. Procedures to circulate a resolution for an annual general meeting ("AGM")**

Pursuant to Section 615 of the Companies Ordinance, shareholders can make a request to circulate a proposed resolution that may properly be moved and is intended to be moved at an AGM, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (i) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote on the resolution at the AGM to which the request relates; or (ii) at least 50 shareholders who have a relevant right to vote on the resolution at the AGM to which the request relates.

The request: (a) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at [hkferry@hkf.com](mailto:hkferry@hkf.com); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the shareholders making it; and (d) must be received by the Company not later than 6 weeks before the AGM to which the request relates; or if later, not later than the time at which notice is given of that AGM.

## **PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR**

According to the Articles of Association, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

## **INVESTOR RELATIONS**

During the year ended 31 December 2015, there has not been any change in the Company's constitutional documents.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **MESSAGE FROM THE CHAIRMAN**

I am pleased to present Hong Kong Ferry (Holdings) Company Limited (the “Company”) and its subsidiaries’ (“Hong Kong Ferry Group”) Environmental, Social and Governance (“ESG”) Report. It has been produced with reference to the ESG Reporting Guide of Hong Kong Exchanges and Clearing Limited (“HKEx”).

At Hong Kong Ferry Group, we strive not only to generate value for our shareholders, but also to operate in a way that addresses any social and environmental concerns that our stakeholders might have. To realise this vision, sustainability is embedded in our operations, from property development and investment, to operation of the Shipyard and Harbour Cruise – Bauhinia, amongst others.

Whilst we make positive economic and social contributions to society, we are mindful of managing the environmental impacts arising from our operations. With comprehensive environmental policies and management strategies in place, along with various initiatives to lower our emissions, we endeavour to contribute to Hong Kong’s grand vision of transitioning to a low carbon society.

This would not be possible without the hard work of our staff. Therefore, the well-being of our staff is of great importance to us. We engage and invest in our people, understanding that they hold the key to the Company’s long term prosperity.

Looking forward, sustainability shall remain an important pillar which supports Hong Kong Ferry Group’s growth. We believe that business opportunities and challenges should be viewed through the lens of sustainability in the long term, as our investors are increasingly keen to know the social and economic performance of Hong Kong Ferry Group. By committing ourselves to sustainability and fostering open dialogue with our stakeholders, our corporate reputation will improve and so will our ability to deliver long term value beyond financial return, leading to the sustainable growth of our business.

**Lam Ko Yin, Colin**  
*Chairman*

## 1. ABOUT THIS ESG REPORT

### a. Reporting Standard

This ESG Report offers an overview of the internal policies, initiatives and programme highlights in relation to Hong Kong Ferry Group’s endeavours for the period from 1 January 2015 to 31 December 2015 (the “reporting year”). This ESG Report has been prepared with reference to the ESG Reporting Guide of the HKEx. The following companies were chosen for inclusion in this ESG Report because of their significant roles or major financial contributions to the Company, thus making them an ideal proxy for our operations.

Business Units	Name of the Companies
Principal Office	Hong Kong Ferry (Holdings) Company Limited
Property Development and Investment	Jet Legend Limited Well Dynamic Limited World Light Limited Lenfield Limited HKF Property Investment Limited
Shipyard Operation	The Hong Kong Shipyard Limited
Dangerous Goods Vehicular Ferry Services	The Hongkong and Yaumati Ferry Company Limited
Harbour Cruise – Bauhinia	Galaxy Hotel Management Company Limited
Travel Operation	HYFCO Travel Agency Limited

Detailed performance data and a comprehensive HKEx ESG content index have been included at the end of this ESG Report to facilitate greater transparency, and to guide readers in navigating this section. Information on financial performance and corporate governance can be found in other sections of this Annual Report.

### b. Stakeholder Engagement

In preparing this ESG Report, Hong Kong Ferry Group took into account the views and suggestions of internal stakeholders via an online survey. This survey was sent to employees who were asked to rank the importance of various aspects of each Subject Area of the HKEx ESG Reporting Guide as well as express their views on Hong Kong Ferry Group’s strategies related to corporate social responsibility going forward.

**1. ABOUT THIS ESG REPORT (Continued)**

**c. Materiality Assessment Process**

This ESG Report focuses on sustainability issues which are material to the Hong Kong Ferry Group. An independent consultant was appointed to conduct a three-step materiality assessment for identifying material sustainability issues for disclosure.

<b>Step 1: Identification</b>
<ul style="list-style-type: none"><li>Peer benchmarking: the ESG sustainability reports of a selected group of sustainability champions and peers, who mirror the business nature of Hong Kong Ferry Group, were reviewed to provide an indication of the disclosure rate of different key performance indicators (“KPIs”). The rate at which certain KPIs were disclosed by peers was considered to be an indication of possible materiality.</li><li>An online survey was launched to engage employees, who were asked to rate the importance of each Aspect of the HKEx guide.</li></ul>
<b>Step 2: Prioritisation</b>
<ul style="list-style-type: none"><li>The results from the peer benchmarking exercise and employee online survey were consolidated to identify a list of high and medium-priority KPIs.</li></ul>
<b>Step 3: Validation of the Material Issues</b>
<ul style="list-style-type: none"><li>The findings of Steps 1 and 2 were brought forward for discussion with the Senior Management of Hong Kong Ferry, who confirmed the list of material KPIs for disclosure.</li></ul>

## 2. MAJOR AWARDS, CERTIFICATES AND MEMBERSHIP IN 2015

<b>Awards/Certificates</b>	<b>Awarding Bodies</b>
2004-2015 Hong Kong Q-Mark for HYFCO Travel Agency Limited and Harbour Cruise – Bauhinia	Hong Kong Q-Mark Council and The Federation of Hong Kong Industries
Caring Company 10 Years plus	The Hong Kong Council of Social Service
Certification of Compliance Registration for property Metro6	Electrical and Mechanical Services Department, HKSAR Government
Happy Company 2015	The Promoting Happiness Index Foundation and Hong Kong Productivity Council (“HKPC”)
Heart to Heart Company	The Hong Kong Federation of Youth Groups
Hong Kong Top Brand Mark (Top Mark) for Harbour Cruise – Bauhinia	Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong
ISO 9001:2008 Quality Management System Certification for Harbour Cruise – Bauhinia	Intertek
ISO 9001:2008 Quality Management System Certification for The Hong Kong Shipyard Limited	Lloyd’s Register Quality Assurance, Inc. and Lloyd’s Register Quality Assurance Limited
ISO 9001:2008 Quality Management System Certification for The Hongkong and Yaumati Ferry Company Limited	Lloyd’s Register Quality Assurance Limited
Manpower Developer 1st Award	The Employees Retraining Board
Outstanding Caring Award (Enterprise Group) under the Corporate Social Responsibility (CSR) Recognition Scheme – Industry Cares 2015	The Federation of Hong Kong Industries
The 4th Outstanding Corporate Social Responsibility Award	The Mirror Post
The 6th Hong Kong Corporate Citizenship Logo	HKPC and Committee on the Promotion of Civic Education
<b>Membership/Charter</b>	<b>Organisations</b>
Green Cross Member	Occupational Safety and Health Council
Workplace Hygiene Charter 2015	Occupational Safety and Health Council and the Labour Department, HKSAR Government

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

2. MAJOR AWARDS, CERTIFICATES AND MEMBERSHIP IN 2015 (Continued)



### 3. HUMAN CAPITAL – OUR GREATEST ASSET

#### a. Working Conditions

The success of Hong Kong Ferry Group can be attributed to our dedicated and capable employees. We reward our staff with competitive remuneration packages, and a harmonious and safe working environment. Employees also enjoy a broad range of fringe benefits including medical insurance coverage for themselves and their family members, maternity and paternity leave, etc. During the reporting year there were no incidences of non-compliance with any regulation governing our labour practices.

Hong Kong Ferry Group attempts to create a conducive and harmonious working environment, free from discrimination, where employees are able to work together effectively and engage in open dialogue. The Group prides itself on being an equal opportunity employer and for putting in place a fair recruitment process for talent acquisition. Career progression is based on the merits of individual employees through a fair annual appraisal exercise.

Hong Kong Ferry Group also promotes a positive work-life balance in the workplace. A five-day work week for office based staff and flexible working hour arrangements are in place to enable optimal use of time by employees. Recreational activities such as staff outings and birthday parties are organised to boost morale and the well-being of our employees. A staff leisure corner has also been established, not only providing staff members a place to relax but also a platform for communication between employees from different departments.



#### Case Sharing: Staff Spring Outing 2015

A total of 125 employees and their family members enjoyed a day of outdoor activities organised by Hong Kong Ferry Group in March 2015. Participants spent a relaxing day on the rooftop garden at the Kai Tak Cruise Terminal, enjoying 3D and digital artworks at the Repulse Bay Visual Art Museum. The group also visited the Hong Kong Flower Show at Victoria Park. It was a fun day filled with laughter that helped foster team spirit and build a culture centered on a positive work-life balance.

### 3. HUMAN CAPITAL – OUR GREATEST ASSET (Continued)

#### b. Staff Development and Training

Understanding that a team of professional and capable staff are pivotal to the long term prosperity of the Group, Hong Kong Ferry Group attempts to empower its staff through training and development. In 2015, about 7,300 training hours were provided to employees.

Strategic training plans are devised at the beginning of each year to identify the training needs of different operations. Training courses are tailored to employees of different levels and job functions. The Senior Management of the Group are provided with training on strategic management and corporate governance, whilst technical courses in relation to mechanical and electrical, marine, buildings and construction, etc. are provided for respective technical managers and engineers. Frontline staff at the Travel Operation are trained in customer services skills and related insurance knowledge. Advocating life-long learning and continual personal development for employees, Hong Kong Ferry Group has also set aside a separate budget to provide sponsorship to staff members who wish to advance their job-related knowledge and skills by taking professionally accredited courses.

#### Case Sharing: Hong Kong Ferry Innovation Talent Competition 2014/2015

Here at Hong Kong Ferry, innovation and forward thinking are highly valued. Employees are encouraged to voice suggestions to help streamline company systems and revamp existing procedures. This year Hong Kong Ferry staged the Innovation Talent Awards for the first time, with support from Dr. Victor Lo and experts from the Institute of Systematic Innovation, Hong Kong (ISI), bringing together ten staff members from different business units in an attempt to foster a positive learning culture at the company.

Participants attended a series of Innovative Quality Improvement workshops, external quality-related events, site visits and insights sharing sessions with representatives from ISI. After eight months of hard work, the contestants made their final presentation on their innovative ideas. The team from the accounts department and Harbour Cruise – Bauhinia won the competition with their suggestion of how to broaden the client base for Harbour Cruise – Bauhinia. The winning team was treated to a helicopter ride as a reward for their hard work.



### 3. HUMAN CAPITAL – OUR GREATEST ASSET (Continued)

#### c. Occupational Health and Safety

Hong Kong Ferry is committed to providing employees with a safe working environment, free from any occupational hazards.

A Safety Committee was established by The Hong Kong Shipyard Limited to oversee health and safety criteria at the Shipyard and other business units. A well-established safety policy is in place to govern the daily operations of the Shipyard. For example, the consumption of alcohol or any dangerous drugs in the workplace is strictly forbidden as personal safety would be jeopardised when discharging job duties. Offenders will be subject to disciplinary actions.

Safety instructions for specific operations are also laid down to safeguard employees from occupational hazards. Instructions are issued on entering confined spaces whilst employees are required to follow strict guidelines on working at heights, on hygiene and the use of personal protection equipment, etc. These guidelines are reviewed and revised on a regular basis. Safety inspections are also conducted frequently at the Shipyard. Safety inspection reports are compiled to

pinpoint areas for immediate rectification and improvements in future safety practices. Meanwhile, morning exercise sessions before work are arranged for workers every day to heighten their concentration and awareness of safety priorities. In addition, The Hong Kong Shipyard Limited also signed up to the Workplace Hygiene Charter in 2015 to commit itself to cultivating a healthy and safe work culture.



*Regular safety inspections at the Shipyard*

### 3. HUMAN CAPITAL – OUR GREATEST ASSET (Continued)

#### c. Occupational Health and Safety (Continued)

Safety messages are communicated through internal memos, guidelines and training. Medical check-ups are arranged for new joiners, as well as staff members who are aged 65 or above and frontline staff such as workers at the Shipyard to ensure that they are able to discharge their job duties in good health. Chinese herbalists from Pok Oi Hospital were also invited to hold seminars with our staff to raise awareness of healthy living habits.

In the operation of Harbour Cruise – Bauhinia and Dangerous Goods Vehicular Ferry Services, employees have strict health and safety rules to follow. Smoking is forbidden in designated areas of the cruise ships to safeguard the health and safety of both our employees and customers.



*Morning exercise for shipyard workers before work to enhance health and concentration*

#### d. Anti-corruption

Hong Kong Ferry Group strives to uphold the highest standard of business ethics and integrity. It does not tolerate any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. Expected professional conduct at the workplace is outlined in the Group's Code of Conduct, which requires all employees to abide by anti-corruption regulations in Hong Kong. Meanwhile, the Code of Conduct also lays down rules on soliciting or accepting any unfair advantages.

Officers from the Independent Commission Against Corruption ("ICAC") are invited to deliver seminars every two years, so that employees are fully conversant with all anti-corruption laws and regulations relevant to their operations. In line with Hong Kong Ferry Group's commitment to anti-corruption, a whistle-blowing policy is also in place to allow employees to report any malpractice and misconduct to the Internal Audit Manager or the Group General Manager with complete confidentiality. During the reporting period, there were no confirmed cases of corruption and non-compliance with any rules and regulations as regards anti-corruption such as the Prevention of Bribery Ordinance.

## 4. ENVIRONMENTAL STEWARDSHIP

Hong Kong Ferry Group is fully aware of the environmental impacts arising from the operations of its different business units. It is understood that natural resource availability and the quality of the natural environment directly impact on the Group's sustainability. The Principal Office and subsidiaries have invested in retrofits, initiated projects that contribute positively to the environment and implemented policies that govern the environmental performance of daily operations. At The Hong Kong Shipyard Limited, an environmental policy was also implemented, specifying that it is the responsibility of each employee and subcontractor to protect the environment.

### a. Energy Efficiency and Emissions

At the Principal Office, internal memos on energy saving are circulated on a regular basis. Employees are reminded to maintain the temperature at 25.5°C, an optimal temperature for comfort and energy savings. Energy-efficient light tubes were also adopted to replace traditional light tubes. In twin and triple tube light fittings on the ceiling, only one light tube was installed, thus the quantity of light tubes in use has been substantially reduced at the Principal Office. In order to reduce heat gain and electricity consumption from air-conditioning, solar film was installed on windows while solar thermal paint was applied on the roof.

Since 2011, The Hong Kong Shipyard Limited and The Hongkong and Yaumati Ferry Company Limited have implemented an Energy and Carbon Management Programme and commissioned external consultants to undertake annual carbon audit studies. This provides valuable information for Management to understand current emissions performance and put in place strategies to drive improvements going forward. For example, three new forklift trucks were purchased for the Shipyard operations which met the emission standards for specific vehicles and emission regulation standard of the EU and the US. The results of carbon audits are disclosed on the Environmental Protection Department's ("EPD") online Carbon Footprint Repository for Listed Companies in Hong Kong.



*Environmentally-friendly forklift*

**4. ENVIRONMENTAL STEWARDSHIP (Continued)**

**a. Energy Efficiency and Emissions (Continued)**

Nitrogen oxides, sulphur oxides, along with other common greenhouse gases such as carbon dioxide are emissions produced from the operations of our dangerous goods vehicular ferry services. To mitigate these emissions, the main engines and generators of our fleet have been replaced by more energy efficient hardware, compliant with regulations stipulated by the International Maritime Organisation. The new marine engines are more efficient than the old ones by about 10-15%. The Hongkong and Yaumati Ferry Company Limited has also taken environmental commitments a step further by gradually replacing its fleet's old generators with environmentally-friendly ones, furthering our efforts in reducing carbon emissions.

At the Property Development Operations, environmental considerations are taken into account during the entire project life cycle, starting from the planning stage. For example at the residential project in Hung Hom, an energy simulation modelling study was conducted to identify opportunities to save energy and thereby reduce carbon emissions. The energy efficiency requirements of the Performance-based Building Energy Code ("PBEC") of the Electrical and Mechanical Services Department ("EMSD") were followed.

At our tour operations and travel business, 20% of the coaches that we use are green coaches, switching from normal sulphur diesel to Ultra Low Sulphur Diesel ("ULSD"). This fuel contains 10 times less sulphur than normal sulphur diesel. Emission of SOx have been reduced, contributing to better roadside air quality.



*New generator of the ferry fleet*

#### 4. ENVIRONMENTAL STEWARDSHIP (Continued)

##### b. Waste Management

Unnecessary printing is discouraged and employees are reminded to print double-sided at the Principal Office. A recycler is appointed to collect waste paper every month. Collection bins for recyclables are also put in place to promote the sorting of waste among staff members, instilling positive behavioural change.

At our Shipyard operations, waste oil and sacrificial anodes from vessels are properly collected. Waste oil is then recycled to produce high quality green lubricants. As steel and aluminium also constitute a large proportion of the waste at the Shipyard, designated contractors are appointed for scrap metals classification and recycling.

At the floating restaurants of Harbour Cruise – Bauhinia, a menu with less courses has been introduced to customers as a means of reducing food waste. Any food waste that is created is then classified and collected by a designated food waste recycler. The amount and types of food waste are monitored. In addition, wastewater generated from the floating restaurants is first stored aboard on the cruise and then discharged in an onshore sewage system at the ferry pier. This environmentally-friendly measure prevents a total of 8,555 metric tonnes of wastewater from being discharged directly into the sea per year.



*Onshore sewage system*

Hong Kong Ferry Group is supportive of a number of external environmental initiatives and has participated in events such as “Earth Hour” by the World Wide Fund for Nature for the last ten years, the “No Air-con Night” staged by Green Sense for over 5 years, and the “5-minute Shower Challenge” organised by Green Power.



*Fleets with energy efficient engines*

## 5. COMMUNITY CONTRIBUTION

As a responsible corporate citizen, Hong Kong Ferry Group spares no effort in giving back to the community through donations and various corporate socially responsible initiatives, enabling the holistic development of the community through reaching out to diverse beneficiaries.

Staff members participated in various charity events to raise funds for low-income families and the underprivileged. In addition, the Group frequently arranges visits to homes for the elderly and runs programmes to care for the elderly who live alone.

To support youth development, for over 30 years the Group has been offering apprenticeship programmes at the Shipyard, where hundreds of young people have been trained to be marine/mechanical/electrical engineers and technicians. In addition, internship programmes are also provided each year for students from Hong Kong University of Science and Technology, the Hong Kong Institute of Vocational Education and Hong Kong Sea School, etc. who receive on-the-job training and gain valuable workplace exposure. Reviewing all CSR programmes carried out throughout the Year 2015, over 400 hours were spent on volunteer services. During the reporting year, about HK\$500,000 were spent on community programmes.

The Corporate Volunteer Team, established in 2008, partners with various social welfare organisations to deliver community services. Team members and their families are encouraged to join different events with a focus on elderly and family services. As of the end of 2015, there were 20 members in the volunteer team. The Group is glad to see the volunteer team growing and enthusiasm of staff members in contributing to society.



*Students from Mainland China having a cruise ride*



*Christmas Party for the elderly*



*Volunteering in a Brands and Products Expo*



*Students visiting Hong Kong Shipyard*

## 5. COMMUNITY CONTRIBUTION (Continued)

### Case Sharing: Cruise Parties for the Underprivileged

The Hong Kong Ferry Group co-organised a series of CSR cruise parties with Wofoo Social Enterprise (WSE), which we regard as our most successful CSR activities in 2015. This party series named "Loving Home Loving HK Cruise Party" was part of WSE's "HK. WeCARE" Campaign in 2015/16, during which a total of 6 CSR cruise parties were staged with WSE and other NGOs. The Honourable Lam Woon-kwong, Convener of Executive Council and Mr. Matthew Cheung, Secretary for Labour and Welfare and Ms. Carol Yip, Director of Social Welfare were invited to attend the grand opening in June 2015. Over 2,000 children and parents from underprivileged families enjoyed magic and musical performances and buffet meals on cruise rides along Victoria Harbour. Through these parties, positive messages were promoted amongst the participants, which included smart eating, caring for family members, and being thankful to society.



## 6. VALUE CHAIN MANAGEMENT

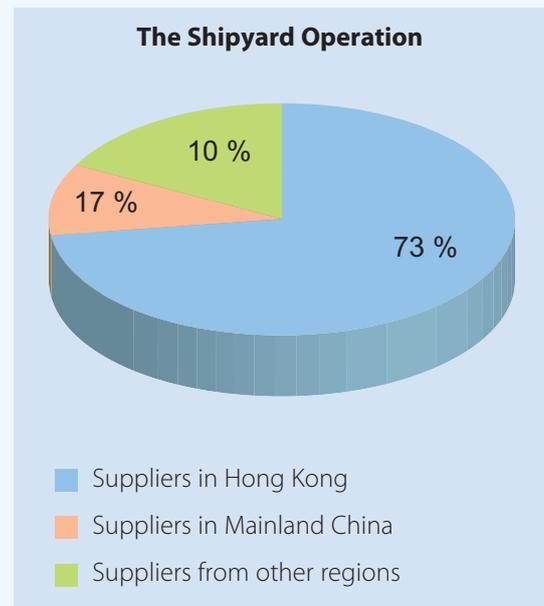
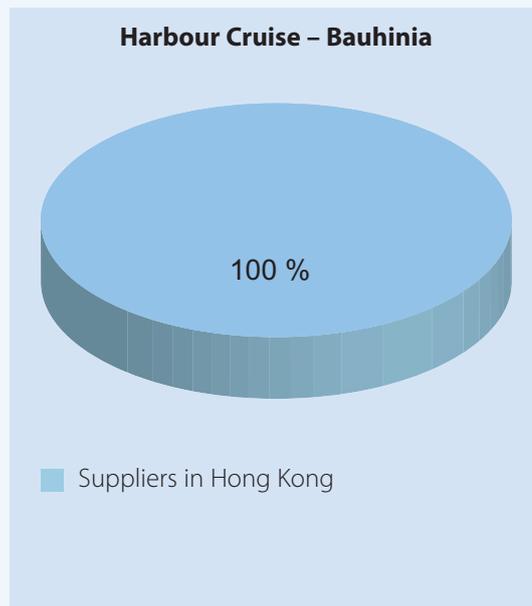
### a. Supply Chain Management

Hong Kong Ferry Group has a diverse range of businesses and requires services from a network of suppliers and contractors. Hong Kong Ferry and its subsidiaries are committed to extending their influence on suppliers and contractors to manage any potential environmental and social risks of the supply chain through regular engagement.

Hong Kong Ferry adheres to the highest standards of business ethics. These ethics underpin how we conduct business with our customers, suppliers and contractors. Suppliers are required to follow all environmental and safety related rules and regulations in Hong Kong. The Group's construction operations also convey the importance of occupational health and safety, and environmental protection to its contractors. For example, monthly joint safety inspections with in-house contractors are conducted at designated sites and workshops at the Shipyard. To manage the environmental risks arising from the construction work, contractors are required via tender specifications to implement a construction/demolition waste management plan during the works. At the floating restaurants of Harbour Cruise – Bauhinia, menu with less sugar, salt and oil has been introduced to customers.

The Company is also committed to cultivating a harmonious and collaborative working relationship with all stakeholders along its value chain. The Group maintains a list of approved suppliers and vendors, all of whom are registered in a database and assessed through a Supplier Evaluation Report and a Supplier Performance Review on an annual or quarterly basis. Inspections are conducted on suppliers guilty of late deliveries and other non-compliances to identify substandard suppliers to which corrective actions are then applied.

Local suppliers are preferred to non-local suppliers as locally sourced materials carry a lower carbon footprint. The majority of the Group's suppliers are local businesses in Hong Kong. Geographical distribution of suppliers of Harbour Cruise – Bauhinia and the Shipyard Operation is as follows:



## 6. VALUE CHAIN MANAGEMENT (Continued)

### b. Responsible Services

Assuring the quality and reliability of its services is at the heart of Hong Kong Ferry Group's values and commitments. To continuously enhance the service performance, the Group collects customers' views through a customer satisfaction survey.

Customer satisfaction surveys are conducted frequently to seek feedback from clients, results are gathered and analysed to review the Group's performance. During the reporting period, there were no product and service related complaints received by Harbour Cruise – Bauhinia, the Shipyard Operation and the Dangerous Goods Vehicular Ferry Services. The Travel Operation received complaints from customers and considered each complaint very seriously by investigating each complaint and responded to our customers formally.

The frequency and results of customer satisfaction surveys:

Business Units	Harbour Cruise – Bauhinia	Shipyard Operation	Dangerous Goods Vehicular Ferry Services	Travel Operation
Frequency	Weekly	Twice a year	Twice a year	For each service
Satisfaction rate	Over 92%	Over 95%	Over 95%	Over 85%

The Group's Travel Operation – HYFCO Travel Agency Limited has in place a dedicated data protection and privacy policy. All customer data is used solely for product promotions within the company and are not disclosed to any third party. A strong and reliable security system is also in place to safeguard the customer database, while the web-based online tour booking system is protected by the SSL encrypted connection between the company's web site and the client's web browser.

As for the advertising of the travel services and offers, customers have the option of choosing whether or not to receive promotional information during registration on the company's systems. This option is editable any time in the future.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### 7. PERFORMANCE DATA TABLE

HKEx KPI	Description	Unit	FY2015		
<b>A. Workplace quality</b>					
A1.1	Total workforce by employment type and age group		Age under 30	Age 30-50	Age above 50
	– Full-time contract	No. of people	53	87	141
	– Part-time contract	No. of people	5	0	2
A1.2	Employee turnover rate by age group		Age under 30	Age 30-50	Age above 50
		%	11	4	3
A2.1	Number and rate of work-related fatalities				
	– By number	No. of people	0		
	– By rate	%	0		
A2.2	Lost days due to work injury	Days	736		
A3.1	The percentage of employee trained by employee category				
	– General Staff	%	82.41		
	– Supervisors to Managers	%	83.64		
	– Management	%	100		
A3.2	The average training hours completed per employee by employee category				
	– General staff	Hours	29.72		
	– Supervisors to Managers	Hours	7.60		
	– Management	Hours	46.20		

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)**

**7. PERFORMANCE DATA TABLE (Continued)**

HKEx KPI	Description	Unit	FY2015
<b>B. Environmental protection</b>			
B1.1	The types of emissions and respective emissions data <sup>(Note 1)</sup> – NO <sub>x</sub>	g/kwh	9.46
B1.2	Greenhouse gas emissions in total and intensity <sup>(Note 2)</sup> – In total	Tonnes of CO <sub>2</sub>	6,718.29
	– By intensity	Tonnes of CO <sub>2</sub> per FTE <sup>(Note 3)</sup>	28.59
B1.6	Non-hazardous waste reduction rate <sup>(Note 4)</sup> – Paper <sup>(Note 5)</sup>	%	42.03
	– General waste in the office <sup>(Note 6)</sup>	%	15.13
	– Food waste <sup>(Note 7)</sup>	%	15
B2.1	Energy consumption by type in total and intensity <sup>(Note 2)</sup> In Total		
	– Fuel oil	Litres	2,106,549
	– Electricity	kWh	1,731,100
	– in Total	In 1000 kWh	22,867
	By intensity	kWh/FTE	97.31

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### 7. PERFORMANCE DATA TABLE (Continued)

HKEx KPI	Description	Unit	FY2015
<b>C. Operating practices</b>			
C1.1	Number of suppliers by geographical region <sup>(Note 8)</sup>		
	– Hong Kong	No. of organisations	614
	– Mainland China	No. of organisations	116
	– Others (e.g. Asia and Europe)	No. of organisations	130
C2.2	Number of service related complaints received	No. of cases	92
C3.1	Number of concluded cases regarding corrupt practices brought against Hong Kong Ferry Group	No. of cases	0

Notes:

1. Emission data was confined to The Hongkong and Yaumati Ferry Company Limited.
2. GHG emission data and energy consumption data were confined to The Hong Kong Shipyard Limited and The Hongkong and Yaumati Ferry Company Limited. The intensity figures are calculated using the FTE (Full-time equivalent employee) of the aforesaid two operations.
3. FTE: Full-time equivalent employee; excluding the part-time employees.
4. Reduction rate = (Amount of waste generated in Year 2014 – Amount of waste generated in Year 2015)/Amount of waste generated in Year 2014.
5. Paper reduction rate data was confined to Principle office and the office of HYFCO Travel Agency Limited.
6. General waste reduction rate data was confined to office of HYFCO Travel Agency Limited.
7. Food waste reduction rate data was confined to Harbour Cruise – Bauhinia.
8. Suppliers data was confined to HYFCO Travel Agency Limited, The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited and Harbour Cruise – Bauhinia.

**8. HKEX CONTENT INDEX TABLE**

Aspect	HKEx KPIs	Description	Page Number
<b>A. Workplace Quality</b>			
A1 Working Conditions	A1	General Disclosure	43
	A1.1	Total workforce by employment type, age group and geographical region	54
	A1.2	Employee turnover rate by age group and geographical region	54
A2 Health and Safety	A2	General Disclosure	45
	A2.1	Number and rate of work-related fatalities	54
	A2.2	Lost days due to work injury	54
	A2.3	Occupational health and safety measures	45-46
A3 Development and Training	A3	General Disclosure	44
	A3.1	Percentage of employees trained by employee category	54
	A3.2	Average training hours completed per employee by employee category	54
<b>B. Environmental Protection</b>			
B1 Emissions	B1	General Disclosure	47-49
	B1.1	The type of emissions and respective emissions data	48 & 55
	B1.2	Greenhouse gas emissions in total	55
	B1.5	Description of measures to mitigate emissions and results achieved	47-48
	B1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	49 & 55
B2 Use of Resources	B2	General Disclosure	47-49
	B2.1	Direct and/or indirect energy consumption by type	55
	B2.3	Energy use efficiency initiatives and results achieved	47-48
B3 The Environment and Natural Resources	B3	General Disclosure	49
	B3.1	Description of the significant impacts of activities on the environment and natural resources	49

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### 8. HKEX CONTENT INDEX TABLE (Continued)

Aspect	HKEx KPIs	Description	Page Number
<b>C. Operating Practices</b>			
C1 Supply Chain Management	C1	General Disclosure	52
	C1.1	Number of suppliers by geographical region	56
	C1.2	Practices relating to engaging suppliers, no. of suppliers where and how the practices are being implemented and monitored	52
C2 Product Responsibility	C2	General Disclosure	53
	C2.2	Number of products and services related complaint received and how they are dealt with	53 & 56
	C2.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	53
C3 Anti-corruption	C3	General Disclosure	46
	C3.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	46 & 56
	C3.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	46
<b>D. Community Investment</b>			
D1 Community Investment	D1	General Disclosure	50
	D1.1	Focus areas of contribution	50-51
	D1.2	Resources contributed to the focus area	50

Note: Future ESG will follow the revised HKEx ESG guide released in 2015.

# INDEPENDENT AUDITOR'S REPORT



## **Independent auditor's report to the members of Hong Kong Ferry (Holdings) Company Limited**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 61 to 134, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

## *INDEPENDENT AUDITOR'S REPORT (CONTINUED)*

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

18 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	3(a)	1,067,656	3,506,967
Direct costs		(741,883)	(2,276,197)
		<b>325,773</b>	1,230,770
Other revenue	3(a) & 4	36,195	48,967
Other net income	4	26,812	1,513
Valuation gains on investment properties	3(d) & 12	15,627	141,676
Impairment loss on available-for-sale securities	15	(51,992)	(15,790)
Selling and marketing expenses		(45,922)	(115,799)
Administrative expenses		(53,094)	(43,933)
Other operating expenses		(22,991)	(24,073)
<b>Profit from operations</b>	3(b)	<b>230,408</b>	1,223,331
Share of profits less losses of associates		1,063	818
<b>Profit before taxation</b>	5	<b>231,471</b>	1,224,149
Taxation	6(a)	(38,556)	(192,738)
<b>Profit attributable to equity shareholders of the Company</b>		<b>192,915</b>	1,031,411
Earnings per share			
– Basic and diluted	11	<b>\$0.54</b>	\$2.89

The notes on pages 68 to 134 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit attributable to equity shareholders of the Company</b>		<b>192,915</b>	1,031,411
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	<i>10</i>		
Item that will not be reclassified to profit or loss:			
Remeasurement of employee retirement benefits assets		<b>(1,698)</b>	(1,107)
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities:			
net movement in the securities revaluation reserve		<b>(127,003)</b>	54,479
<b>Other comprehensive income for the year</b>		<b>(128,701)</b>	53,372
<b>Total comprehensive income attributable to equity shareholders of the Company</b>		<b>64,214</b>	1,084,783

The notes on pages 68 to 134 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015		2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Investment properties	12		2,001,100		1,880,200
Other property, plant and equipment	12		61,407		66,631
Interest in leasehold land	12		43,138		44,507
			<u>2,105,645</u>		<u>1,991,338</u>
Interest in associates	14		11,121		13,624
Available-for-sale securities	15		827,680		521,165
Net employee retirement benefits assets	16(a)		–		1,420
Deferred tax assets	22(b)		5,152		5,860
			<u>2,949,598</u>		<u>2,533,407</u>
<b>Current assets</b>					
Inventories	17(a)		492,906		1,084,599
Trade and other receivables	18		213,490		893,574
Other financial assets	19		90,375		–
Cash and bank balances	20(a)		2,391,857		2,530,827
Tax recoverable	22(a)		35,283		35,412
			<u>3,223,911</u>		<u>4,544,412</u>
<b>Current liabilities</b>					
Trade and other payables	21		261,308		1,027,561
Tax payable	22(a)		210,798		188,298
			<u>472,106</u>		<u>1,215,859</u>
<b>Net current assets</b>			<u>2,751,805</u>		<u>3,328,553</u>
<b>Total assets less current liabilities</b>			<u>5,701,403</u>		<u>5,861,960</u>
<b>Non-current liabilities</b>					
Net employee retirement benefits liabilities	16(a)		4,330		–
Deferred tax liabilities	22(b)		44,968		38,929
			<u>49,298</u>		<u>38,929</u>
<b>NET ASSETS</b>			<u>5,652,105</u>		<u>5,823,031</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2015

	Note	2015		2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>CAPITAL AND RESERVES</b>					
Share capital	23(b)		<b>1,754,801</b>		1,754,801
Reserves			<b>3,897,304</b>		4,068,230
<b>TOTAL EQUITY</b>			<b>5,652,105</b>		<b>5,823,031</b>

Approved and authorised for issue by the board of directors on 18 March 2016.

**Lam Ko Yin, Colin**  
Chairman

**Li Ning**  
Director

The notes on pages 68 to 134 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Share premium	Securities revaluation reserve	Other capital reserves	Retained profits	Total
Note	HK\$'000 (Note 23(b))	HK\$'000	HK\$'000 (Note 23(c))	HK\$'000 (Note 23(c))	HK\$'000	HK\$'000
<b>Balance at 1 January 2014</b>	356,274	1,398,527	41,304	605	3,390,443	5,187,153
<b>Changes in equity for 2014:</b>						
Profit for the year	–	–	–	–	1,031,411	1,031,411
Other comprehensive income	–	–	54,479	–	(1,107)	53,372
Total comprehensive income	–	–	54,479	–	1,030,304	1,084,783
Dividends approved in respect of the previous year	9	–	–	–	(92,631)	(92,631)
Dividends declared in respect of the current year	9	–	–	–	(356,274)	(356,274)
Transition to no-par value regime on 3 March 2014	23(b)	1,398,527	(1,398,527)	–	–	–
<b>Balance at 31 December 2014 and 1 January 2015</b>	<b>1,754,801</b>	<b>–</b>	<b>95,783</b>	<b>605</b>	<b>3,971,842</b>	<b>5,823,031</b>
<b>Changes in equity for 2015:</b>						
Profit for the year	–	–	–	–	192,915	192,915
Other comprehensive income	–	–	(127,003)	–	(1,698)	(128,701)
Total comprehensive income	–	–	(127,003)	–	191,217	64,214
Dividends approved in respect of the previous year	9	–	–	–	(199,513)	(199,513)
Dividends declared in respect of the current year	9	–	–	–	(35,627)	(35,627)
<b>Balance at 31 December 2015</b>	<b>1,754,801</b>	<b>–</b>	<b>(31,220)</b>	<b>605</b>	<b>3,927,919</b>	<b>5,652,105</b>

The notes on pages 68 to 134 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015		2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Operating activities</b>					
Profit before taxation			231,471		1,224,149
Adjustments for:					
Depreciation	5(b)	5,893		5,960	
Amortisation of leasehold land premium	5(b)	1,369		1,369	
Impairment losses on trade and other receivables	5(b)	2,070		200	
Impairment loss on available-for-sale securities	15	51,992		15,790	
Net profit on disposal of available-for-sale securities	4	(34,401)		–	
Net unrealised loss on financial assets designated at fair value through profit or loss	4	9,625		–	
Net profit on disposal of unlisted investment	4	–		(658)	
Net loss on disposal of other property, plant and equipment	4	3		–	
Valuation gains on investment properties	12	(15,627)		(141,676)	
Interest income		(25,978)		(45,354)	
Dividend income from listed investments		(24,756)		(15,376)	
Share of profits less losses of associates		(1,063)		(818)	
			(30,873)		(180,563)
<b>Operating profit before changes in working capital</b>					
			200,598		1,043,586
Decrease in net employee retirement benefits assets		4,052		1,580	
Decrease in inventories		493,818		1,603,083	
Decrease in trade and other receivables		678,667		1,034,694	
Decrease in trade and other payables		(773,651)		(2,422,042)	
			402,886		217,315
<b>Cash generated from operations</b>					
			603,484		1,260,901
Profits tax paid		(9,180)		(24,073)	
			(9,180)		(24,073)
<b>Net cash generated from operating activities</b>					
			594,304		1,236,828

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2015

Note	2015		2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Investing activities</b>				
Interest received	25,248		47,490	
Payment for purchase of other property, plant and equipment	(672)		(2,899)	
Payment for purchase of available-for-sale securities	(742,343)		(81,375)	
Proceeds from disposal of available-for-sale securities	291,235		–	
Net repayment from associates	1,894		2,057	
Payment for purchase of financial assets designated at fair value through profit or loss	(100,000)		–	
Proceeds from disposal of unlisted investment	–		703	
Dividends received from listed investments	24,854		15,803	
Dividends received from an associate	1,650		1,560	
Increase in bank deposits with maturity over three months at acquisition	(283,800)		–	
		<u>(781,934)</u>		<u>(16,661)</u>
<b>Financing activity</b>				
Dividends paid	(235,140)		(448,905)	
		<u>(235,140)</u>		<u>(448,905)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(422,770)</b>		<b>771,262</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2,530,827</b>		<b>1,759,565</b>
<b>Cash and cash equivalents at 31 December</b> 20(a)		<b>2,108,057</b>		<b>2,530,827</b>

The notes on pages 68 to 134 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

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

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

- investment properties (see note 1(h));
- financial instruments classified as available-for-sale securities (see note 1(f)); and
- financial assets designated at fair value through profit or loss (see note 1(g)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010 – 2012 Cycle*
- *Annual Improvements to HKFRSs 2011 – 2013 Cycle*

These developments have had no material impact on the Group's consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (d) Subsidiaries

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Associates

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

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

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

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

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

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

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

## **1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(f) Other investments in debt and equity securities**

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

Investments in debt and equity securities, being those held for non-trading purpose, are classified as available-for-sale securities. Available-for-sale securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the securities revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(s)(vii) and 1(s)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### **(g) Financial assets designated at fair value through profit or loss**

Financial assets may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis;
- a group of financial assets is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

Financial assets designated at fair value through profit or loss are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

#### (i) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

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

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

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land classified as held under finance leases	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 15 years
Machinery, furniture and other plant and equipment	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Leased assets

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

#### (i) Classification of assets leased to the Group

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

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### (ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)) or is held for development for sale (see note 1(l)(iv)).

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investment in associates accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

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

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

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

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

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

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

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

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

#### (ii) Impairment of other assets

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

- other property, plant and equipment; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

#### – Calculation of recoverable amount

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

#### – Recognition of impairment losses

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

#### – Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

## **1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(I) Inventories**

#### (i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### (ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

#### (iii) Work in progress

Work in progress are construction and repairing in progress at the end of the reporting period and are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings.

#### (iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Inventories (Continued)

##### (iv) Property development (Continued)

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### (m) Trade and other receivables

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

#### (n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Employee benefits

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

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

- (ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated as part of "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on Government Bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Income tax

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

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Income tax (Continued)

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

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

### (r) Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

Financial guarantees 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 incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(r) Financial guarantees issued, provisions and contingent liabilities** (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

**(s) Revenue recognition**

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

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under deposits received.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

## **1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(s) Revenue recognition** (Continued)

(iv) Ferry operations and related services

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

(v) Travel business

Revenue arising from the travel business is recognised on the completion date of the tours or when the relevant services are provided.

(vi) Interest income

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

(vii) Dividends

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

### **(t) Translation of foreign currencies**

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

### **(u) Related parties**

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in note (u)(a).
  - (vii) A person identified in note (u)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

### (v) Segment reporting

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

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

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 16 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

### (a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to expected future market rents and the appropriate capitalisation rate.

### (b) Recognition of deferred tax assets

At 31 December 2015, the Group had recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK\$9,903,000 (2014: HK\$34,794,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

## 3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Property development: development and sale of properties.
- Property investment: leasing of properties.
- Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.
- Travel operation: management and operation of travel agency services.
- Securities investment: debt and equity securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 SEGMENT INFORMATION (Continued)

#### Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The segment information for the years ended 31 December 2015 and 2014 about these reportable segments is presented below:

#### (a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Property development	728,525	3,186,610	–	–	728,525	3,186,610
Property investment	89,786	75,215	–	60	89,786	75,155
Ferry, shipyard and related operations	147,766	137,644	3,356	3,010	144,410	134,634
Travel operation	95,309	118,968	304	428	95,005	118,540
Securities investment	27,063	16,147	–	–	27,063	16,147
Others	85,398	86,432	66,336	61,584	19,062	24,848
	<b>1,173,847</b>	<b>3,621,016</b>	<b>69,996</b>	<b>65,082</b>	<b>1,103,851</b>	<b>3,555,934</b>
<b>Analysed by:</b>						
Revenue					1,067,656	3,506,967
Other revenue					36,195	48,967
					<b>1,103,851</b>	<b>3,555,934</b>

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel operation and securities investment.

Revenue represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 SEGMENT INFORMATION (Continued)

#### (b) Segment result

	Reportable segment profit	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Property development	151,690	1,023,352
Property investment ( <i>note 3(d)</i> )	59,132	176,186
Ferry, shipyard and related operations	13,906	8,228
Travel operation	(9,507)	(8,130)
Securities investment	(1,552)	(293)
Others ( <i>note 3(e)</i> )	16,739	23,988
	<b>230,408</b>	1,223,331

#### (c) Reconciliation of reportable segment profit

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Reportable segment profit derived from external customers	230,408	1,223,331
Share of profits less losses of associates	1,063	818
	<b>231,471</b>	1,224,149

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK\$15,627,000 (2014: HK\$141,676,000).

(e) The segment result of "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 SEGMENT INFORMATION (Continued)

#### (f) Other segment information

	Depreciation and amortisation		Impairment losses/ (reversal of impairment losses)		Capital expenditure incurred	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Property investment	4	6	8	–	107,050	486,624
Ferry, shipyard and related operations	6,723	6,465	2,062	(50)	327	2,301
Travel operation	197	171	–	250	171	326
Securities investment	–	–	51,992	15,790	–	–
Others	338	687	–	–	174	272
	<b>7,262</b>	<b>7,329</b>	<b>54,062</b>	<b>15,990</b>	<b>107,722</b>	<b>489,523</b>

### 4 OTHER REVENUE AND NET INCOME

	2015 HK\$'000	2014 HK\$'000
<b>Other revenue</b>		
Management fee income	13,060	11,149
Air-conditioning charges income	9,086	7,891
Other interest income	7,017	20,874
Other income	7,032	9,053
	<b>36,195</b>	<b>48,967</b>
<b>Other net income</b>		
Net profit on disposal of available-for-sale securities	34,401	–
Income from sale of spare parts	808	771
Net exchange gains/(losses)	388	(738)
Net unrealised loss on financial assets designated at fair value through profit or loss	(9,625)	–
Net loss on disposal of other property, plant and equipment	(3)	–
Net profit on disposal of unlisted investment	–	658
Sundry income	843	822
	<b>26,812</b>	<b>1,513</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5 PROFIT BEFORE TAXATION

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

**(a) Staff costs:**

	2015 HK\$'000	2014 HK\$'000
Expense recognised in respect of defined benefit retirement plan (note 16(a)(v))	4,091	1,580
Contributions to defined contribution retirement plan	2,778	2,725
Total retirement costs	6,869	4,305
Salaries, wages and other benefits	92,463	88,534
	<b>99,332</b>	<b>92,839</b>

**(b) Other items:**

	2015 HK\$'000	2014 HK\$'000
Amortisation of leasehold land premium	1,369	1,369
Depreciation	5,893	5,960
Cost of inventories (note 17(b))	531,507	2,052,562
Auditor's remuneration		
– audit services	1,689	1,630
– other services	305	305
Operating lease charges: minimum lease payments		
– property rentals	5,217	5,707
Impairment losses on trade and other receivables	2,070	200
Rentals receivable from investment properties less direct outgoings of HK\$33,250,000 (2014: HK\$29,919,000) (note)	(33,379)	(25,322)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$994,000 (2014: HK\$982,000)	(4,269)	(5,250)
Interest income	(25,978)	(45,354)
Dividend income from listed investments	(24,756)	(15,376)

Note: Included contingent rental income of HK\$707,000 (2014: HK\$107,000).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 HK\$'000	2014 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	31,890	161,500
(Over)/under-provision in respect of prior years	(81)	11,735
	<b>31,809</b>	173,235
<b>Deferred tax</b>		
Origination and reversal of temporary differences	6,747	19,503
	<b>38,556</b>	192,738

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Government of Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2014-15 subject to a maximum reduction of HK\$20,000 for each business (2014: a maximum reduction of HK\$10,000 was granted for the year of assessment 2013-14 and was taken into account in calculating the provision for 2014).

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	<b>231,471</b>	1,224,149
Notional tax on profit before taxation, calculated at 16.5%	<b>38,192</b>	201,985
Tax effect of non-deductible expenses	<b>10,215</b>	4,337
Tax effect of non-taxable income	<b>(11,534)</b>	(32,556)
Tax effect of current year's tax losses not recognised	<b>1,938</b>	2,141
Tax effect of prior years' unrecognised tax losses utilised this year	<b>(88)</b>	(218)
Tax effect of temporary differences on investment properties and other property, plant and equipment	<b>(86)</b>	5,314
(Over)/under-provision in respect of prior years	<b>(81)</b>	11,735
Actual tax expense	<b>38,556</b>	192,738

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and Appendix 16 to the Listing Rules are as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	2015 Total HK\$'000
<b>Executive directors</b>			
Dr. Lam Ko Yin, Colin	200	–	200
Mr. Li Ning	150	–	150
<b>Non-executive directors</b>			
Mr. Au Siu Kee, Alexander	100	–	100
Mr. Lau Yum Chuen, Eddie	100	–	100
Dr. Lee Shau Kee	100	–	100
Mr. Wong Man Kong, Peter	100	–	100
<b>Independent non-executive directors</b>			
Mr. Ho Hau Chong, Norman	300	–	300
Mr. Leung Hay Man	300	–	300
Ms. Wong Yu Pok, Marina	300	–	300
Mr. Wu King Cheong	300	–	300
	<u>1,950</u>	<u>–</u>	<u>1,950</u>
	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors</b>			
Dr. Lam Ko Yin, Colin	200	9	209
Mr. Li Ning	150	9	159
<b>Non-executive directors</b>			
Mr. Au Siu Kee, Alexander	100	9	109
Mr. Lau Yum Chuen, Eddie	100	9	109
Dr. Lee Shau Kee	100	9	109
Mr. Wong Man Kong, Peter	100	9	109
<b>Independent non-executive directors</b>			
Mr. Ho Hau Chong, Norman	300	9	309
Mr. Leung Hay Man	300	9	309
Ms. Wong Yu Pok, Marina	300	9	309
Mr. Wu King Cheong	300	9	309
	<u>1,950</u>	<u>90</u>	<u>2,040</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Salaries and other emoluments	
	2015 HK\$'000	2014 HK\$'000
<b>Group General Manager</b> Dr. Ho Chi Shing, David	<b>3,001</b>	2,888

### 8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

#### (a) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2014: one) is a chief executive whose emoluments is disclosed in note 7. The aggregate of the emoluments in respect of the remaining four (2014: four) individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	3,641	3,449
Retirement scheme contributions	154	131
	<b>3,795</b>	3,580

The emoluments of the four (2014: four) individuals with the highest emoluments are within the following bands:

HK\$	2015 Number of individuals	2014 Number of individuals
1,000,000 or below	3	3
1,000,001–1,500,000	1	1

#### (b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in note 7 and 8(a), the emoluments of the remaining senior management whose profiles are provided in Directors' and Senior Management's Profile fell within the following bands:

HK\$	2015 Number of individuals	2014 Number of individuals
500,001–1,000,000	2	2

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9 DIVIDENDS

**(a) Dividends payable to equity shareholders of the Company attributable to the year**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2014: HK10 cents) per ordinary share	35,627	35,627
First special dividend declared and paid of Nil (2014: HK90 cents) per ordinary share	–	320,647
Final dividend proposed after the end of the reporting period of HK26 cents (2014: HK26 cents) per ordinary share	92,631	92,631
Second special dividend proposed after the end of the reporting period of Nil (2014: HK30 cents) per ordinary share	–	106,882
	<b>128,258</b>	<b>555,787</b>

The 2015 final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2014: HK26 cents) per ordinary share	92,631	92,631
Second special dividend in respect of the previous financial year, approved and paid during the year, of HK30 cents (2014: Nil) per ordinary share	106,882	–
	<b>199,513</b>	<b>92,631</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10 OTHER COMPREHENSIVE INCOME

#### Components of other comprehensive income, including reclassification adjustments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Remeasurement of employee retirement benefits assets</b>	<b>(1,698)</b>	(1,107)
<b>Available-for-sale securities</b>		
Changes in fair value recognised during the year	<b>(145,741)</b>	38,689
Reclassification adjustments for amounts transferred to profit or loss:		
– profit on disposal	<b>(33,254)</b>	–
– impairment losses	<b>51,992</b>	15,790
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	<b>(127,003)</b>	54,479
Other comprehensive income	<b>(128,701)</b>	53,372

Tax effect of the above components of other comprehensive income is HK\$Nil.

### 11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$192,915,000 (2014: HK\$1,031,411,000) and 356,273,883 (2014: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2015 and 2014, therefore diluted earnings per share are the same as basic earnings per share for both years.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND**

	Buildings <i>HK\$'000</i>	Ferry vessels and other crafts <i>HK\$'000</i>	Machinery, furniture and others <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Interest in leasehold land <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost or valuation:</b>							
At 1 January 2014	70,208	118,077	279,225	467,510	1,251,900	159,407	1,878,817
Additions	1,550	–	1,349	2,899	–	–	2,899
Transfer from inventories	–	–	–	–	486,624	–	486,624
Disposals	(111)	–	(230)	(341)	–	–	(341)
Valuation gains	–	–	–	–	141,676	–	141,676
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	71,647	118,077	280,344	470,068	1,880,200	159,407	2,509,675
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<b>Representing:</b>							
Cost	71,647	118,077	280,344	470,068	–	159,407	629,475
Valuation	–	–	–	–	1,880,200	–	1,880,200
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>71,647</u>	<u>118,077</u>	<u>280,344</u>	<u>470,068</u>	<u>1,880,200</u>	<u>159,407</u>	<u>2,509,675</u>
<b>Accumulated amortisation and depreciation:</b>							
At 1 January 2014	59,732	114,672	223,414	397,818	–	113,531	511,349
Charge for the year	609	701	4,650	5,960	–	1,369	7,329
Written back on disposals	(111)	–	(230)	(341)	–	–	(341)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	60,230	115,373	227,834	403,437	–	114,900	518,337
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net book value:</b>							
At 31 December 2014	<u>11,417</u>	<u>2,704</u>	<u>52,510</u>	<u>66,631</u>	<u>1,880,200</u>	<u>44,507</u>	<u>1,991,338</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)**

	Buildings HK\$'000	Ferry vessels and other crafts HK\$'000	Machinery, furniture and others HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Interest in leasehold land HK\$'000	Total HK\$'000
<b>Cost or valuation:</b>							
At 1 January 2015	71,647	118,077	280,344	470,068	1,880,200	159,407	2,509,675
Additions	2	-	670	672	-	-	672
Transfer from inventories	-	-	-	-	107,050	-	107,050
Cost adjustment (note)	-	-	-	-	(1,777)	-	(1,777)
Disposals	-	-	(174)	(174)	-	-	(174)
Valuation gains	-	-	-	-	15,627	-	15,627
At 31 December 2015	<u>71,649</u>	<u>118,077</u>	<u>280,840</u>	<u>470,566</u>	<u>2,001,100</u>	<u>159,407</u>	<u>2,631,073</u>
<b>Representing:</b>							
Cost	71,649	118,077	280,840	470,566	-	159,407	629,973
Valuation	-	-	-	-	2,001,100	-	2,001,100
	<u>71,649</u>	<u>118,077</u>	<u>280,840</u>	<u>470,566</u>	<u>2,001,100</u>	<u>159,407</u>	<u>2,631,073</u>
<b>Accumulated amortisation and depreciation:</b>							
At 1 January 2015	60,230	115,373	227,834	403,437	-	114,900	518,337
Charge for the year	1,229	386	4,278	5,893	-	1,369	7,262
Written back on disposals	-	-	(171)	(171)	-	-	(171)
At 31 December 2015	<u>61,459</u>	<u>115,759</u>	<u>231,941</u>	<u>409,159</u>	<u>-</u>	<u>116,269</u>	<u>525,428</u>
<b>Net book value:</b>							
At 31 December 2015	<u>10,190</u>	<u>2,318</u>	<u>48,899</u>	<u>61,407</u>	<u>2,001,100</u>	<u>43,138</u>	<u>2,105,645</u>

Note: Cost adjustment represents the revision of the original construction cost of the properties completed in prior years, confirmed by the surveyor during the year ended 31 December 2015.

*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**12 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)**

**(a) Fair value measurement of investment properties**

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

	Fair value measurements as at 31 December 2015 categorised into			
	Fair value at 31 December 2015 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Investment properties	<u>2,001,100</u>	–	–	<u>2,001,100</u>
	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Investment properties	<u>1,880,200</u>	–	–	<u>1,880,200</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

#### (a) Fair value measurement of investment properties (Continued)

##### (i) Fair value hierarchy (Continued)

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### Valuation process

All the Group's investment properties were revalued as at 31 December 2015. The valuations were carried out by an independent firm of surveyors, DTZ Cushman & Wakefield, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

##### (ii) Information about Level 3 fair value measurements

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current leases except for an investment property which was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Below is a table which presents the significant unobservable inputs:

#### Income capitalisation approach

	Range of capitalisation rates		Range of occupancy rates	
	2015 %	2014 %	2015 %	2014 %
Retail	3.5% – 5%	4.25% – 5%	9% – 100%	56% – 100%
Car park	4.75% – 6.5%	4.75% – 6.5%	86% – 95%	57% – 99%

#### Market comparison approach

	Market unit sales price	
	2015 HK\$/sq. ft.	2014 HK\$/sq. ft.
Godown	378 – 400	420 – 450

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) **Fair value measurement of investment properties** (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value measurement of investment properties is positively correlated to the occupancy rate and market unit sales price and negatively correlated to the capitalisation rate.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Investment properties</b>		
At 1 January	1,880,200	1,251,900
Transfer from inventories	107,050	486,624
Cost adjustment	(1,777)	–
Valuation gains	15,627	141,676
	<u>2,001,100</u>	<u>1,880,200</u>
At 31 December	<u>2,001,100</u>	<u>1,880,200</u>

Fair value adjustment of investment properties is recognised in the line item “valuation gains on investment properties” on the face of the consolidated statement of profit or loss.

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) **The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:**

	2015 HK\$'000	2014 HK\$'000
Medium-term leases	<u>2,054,428</u>	<u>1,936,124</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

- (c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to nine years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	59,415	36,680
After 1 year but within 5 years	62,807	30,414
After 5 years	18,800	–
	<b>141,022</b>	<b>67,094</b>

### 13 INTEREST IN SUBSIDIARIES

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

	Particulars of issued and paid up capital	Proportion of ownership interests		Principal activities
		Held by the Company	Held by subsidiaries	
HYFCO Development Company, Limited	1,200,003 shares	100%	–	Investment holding
The Hong Kong Shipyard Limited	170,000 shares	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2 shares	100%	–	Trading
HYFCO Estate Management & Agency Limited	2,500,000 shares	100%	–	Property management

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 INTEREST IN SUBSIDIARIES (Continued)**

	Particulars of issued and paid up capital	Proportion of ownership interests		Principal activities
		Held by the Company	Held by subsidiaries	
HYFCO Travel Agency Limited	3,500,000 shares	100%	–	Travel business
The Hongkong and Yaumati Ferry Company Limited	1,000,000 shares	100%	–	Ferry operations
Galaxy Hotel Management Company Limited	1,350 shares	100%	–	Floating restaurant business
Genius Star Development Limited	2 shares	100%	–	Property investment
Pico International Limited	6,000,000 shares	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2 shares	100%	–	Funding for group companies
Thommen Limited	2 shares	100%	–	Investment holding
Lenfield Limited	2 shares	100%	–	Property development, investment and financing
HKF Property Investment Limited	2 shares	100%	–	Property investment
Join Galaxy Limited	2 shares	–	100%	Property financing
Merry World Assets Limited	50,000 shares	100%	–	Investment holding
Jet Legend Limited	1 share	100%	–	Property development
World Light Limited	1 share	100%	–	Property development, investment and financing
Well Dynamic Limited	1 share	100%	–	Property development, investment and financing

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13 INTEREST IN SUBSIDIARIES (Continued)

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

Except for HYFCO Travel Agency Limited which operates outbound tours in the Mainland China and Macau, all the other subsidiaries operate in Hong Kong.

### 14 INTEREST IN ASSOCIATES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	5,725	5,442
Amounts due from associates	12,190	14,976
	<b>17,915</b>	20,418
Less: impairment loss	<b>(6,794)</b>	(6,794)
	<b>11,121</b>	13,624

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2014: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 28(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are not expected to be recovered within one year.

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

	Particulars of issued and paid up capital	Proportion of ownership interest held by subsidiaries	Principal activities
2OK	10 ordinary shares	50%	Property financing
Authian Estates Limited	5,000 A shares 5,000 B shares	50%	Property investment
Winwide Limited	100 ordinary shares	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	5,725	5,442
Aggregate amounts of the Group's share of those associates' Profit for the year	1,063	818
Total comprehensive income	1,063	818

### 15 AVAILABLE-FOR-SALE SECURITIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Listed debt securities outside Hong Kong	25,011	31,613
Listed equity securities		
– in Hong Kong	768,444	435,668
– outside Hong Kong	34,225	53,884
	<b>802,669</b>	489,552
	<b>827,680</b>	521,165
Market value of listed securities at 31 December	<b>827,680</b>	521,165
Fair value of individually impaired available-for-sale securities	<b>216,837</b>	182,551

As at 31 December 2015, certain of the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK\$51,992,000 (2014: HK\$15,790,000) on these investments were recognised in profit or loss in accordance with the policy set out in note 1(k)(i).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 NET EMPLOYEE RETIREMENT BENEFITS (LIABILITIES)/ASSETS

#### (a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("ORSO"), which covers 12.2% (2014: 13.6%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2015 and was prepared by qualified staff of Willis Towers Watson, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan are fully (2014: 100%) covered by the plan assets held by the trustees.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plan is disclosed below:

- (i) The amounts recognised in the consolidated statement of financial position are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Present value of wholly or partly funded obligations	<b>(41,039)</b>	(40,434)
Fair value of plan assets	<b>36,709</b>	41,854
	<b>(4,330)</b>	1,420

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expect to pay HK\$721,000 in contributions to defined benefit retirement plan in 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 NET EMPLOYEE RETIREMENT BENEFITS (LIABILITIES)/ASSETS (Continued)

#### (a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	2015	2014
Equity securities	34.3%	32.5%
Fixed deposits	65.7%	67.5%
Total	<b>100.0%</b>	100.0%

All of the equity securities have quoted prices in active markets.

(iii) Movements in the present value of the defined benefit obligations:

	2015 HK\$'000	2014 HK\$'000
At 1 January	40,434	38,973
Remeasurements:		
– Actuarial losses arising from changes in financial assumptions	371	403
– Actuarial losses arising from changes in experience	628	443
	<b>999</b>	846
Current service cost	1,326	1,336
Interest cost	559	615
Benefits paid by the plan	(4,749)	(1,336)
Scheme amendments	2,470	–
At 31 December	<b>41,039</b>	40,434

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 NET EMPLOYEE RETIREMENT BENEFITS (LIABILITIES)/ASSETS (Continued)

#### (a) Defined benefit retirement plan (Continued)

##### (iv) Movements in plan assets:

	2015 HK\$'000	2014 HK\$'000
At 1 January	41,854	43,080
Interest income	569	681
Return less than discount rate	(699)	(261)
Benefits paid by the plan	(4,749)	(1,336)
Administrative expenses paid	(305)	(310)
Contributions paid to the plan	39	–
	<u>36,709</u>	<u>41,854</u>

##### (v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2015 HK\$'000	2014 HK\$'000
Current service cost	1,326	1,336
Past services cost of scheme amendments	2,470	–
Net income on net defined benefit liability/asset	(10)	(66)
Administrative expenses paid	305	310
	<u>4,091</u>	<u>1,580</u>
Actuarial losses	999	846
Return on plan assets, excluding interest income	699	261
	<u>1,698</u>	<u>1,107</u>
Total defined benefit costs	<u>5,789</u>	<u>2,687</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 NET EMPLOYEE RETIREMENT BENEFITS (LIABILITIES)/ASSETS (Continued)

#### (a) Defined benefit retirement plan (Continued)

(v) (Continued)

The current service cost, the net income on defined benefit liability/asset and the administrative expenses paid are recognised in the following item in the consolidated statement of profit or loss:

	2015 HK\$'000	2014 HK\$'000
Administrative expenses	<u>4,091</u>	<u>1,580</u>

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2015	2014
Discount rate	1.5%	1.4%
Long-term salary increase rate	3.5%	3.5%

The below analysis shows how the net defined benefit liability (2014: net defined benefit asset) would have (increased)/decreased (2014: increased/(decreased)) as a result of 0.25% change in the significant actuarial assumptions:

	Liability		Asset	
	(Increase) in 0.25% 2015 HK\$'000	Decrease in 0.25% 2015 HK\$'000	Increase in 0.25% 2014 HK\$'000	(Decrease) in 0.25% 2014 HK\$'000
Discount rate	893	(921)	(502)	516
Future salary	(821)	801	434	(425)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 NET EMPLOYEE RETIREMENT BENEFITS (LIABILITIES)/ASSETS (Continued)

#### (b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the plan vest immediately.

### 17 INVENTORIES

#### (a) Inventories in the consolidated statement of financial position comprise:

	2015 HK\$'000	2014 HK\$'000
<b>Property development</b>		
Properties under development for sale	241,066	842,566
Completed properties held for sale	235,191	227,958
	<u>476,257</u>	<u>1,070,524</u>
<b>Other operations</b>		
Trading stocks	1,130	898
Spare parts and consumables	1,255	1,723
Work in progress	14,264	11,454
	<u>16,649</u>	<u>14,075</u>
	<u><u>492,906</u></u>	<u><u>1,084,599</u></u>

The above properties are situated in Hong Kong and held under medium-term leases.

The amount of properties under development for sale expected to be completed after more than one year is HK\$241,066,000 (2014: HK\$233,498,000). All of the other inventories are expected to be recovered within one year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 INVENTORIES (Continued)

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<b>2015</b> <i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Carrying amount of inventories sold	<b>531,507</b>	2,052,562

### 18 TRADE AND OTHER RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Trade receivables	<b>151,041</b>	180,762
Less: allowance for doubtful debts	<b>(2,070)</b>	–
	<b>148,971</b>	180,762
Cash held by stakeholders	<b>18,078</b>	648,216
Other receivables and prepayments	<b>46,441</b>	64,596
	<b>213,490</b>	893,574

All of the trade and other receivables except for instalment receivables of HK\$88,643,000 (2014: HK\$98,497,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK\$37,111,000 (2014: HK\$38,120,000) which are unsecured, interest-free and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 TRADE AND OTHER RECEIVABLES (Continued)

#### (a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis based on due date at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Current	125,133	151,119
1 to 3 months overdue	19,566	25,761
More than 3 months but less than 12 months overdue	4,265	2,575
More than 12 months overdue	7	1,307
	<u>148,971</u>	<u>180,762</u>

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 24(a).

#### (b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	–	–
Impairment losses recognised	2,070	–
At 31 December	<u>2,070</u>	<u>–</u>

At 31 December 2015, the Group's trade debtors of HK\$2,070,000 (2014: HK\$Nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that recovery of the receivables is considered doubtful. Consequently, specific allowances for doubtful debts of HK\$2,070,000 (2014: HK\$Nil) were recognised.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 TRADE AND OTHER RECEIVABLES (Continued)

#### (c) Trade debtors that are not impaired

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

	2015 HK\$'000	2014 HK\$'000
Neither overdue nor impaired	125,133	151,119
1 to 3 months overdue	19,566	25,761
More than 3 months but less than 12 months overdue	4,265	2,575
More than 12 months overdue	7	1,307
	<b>23,838</b>	29,643
	<b>148,971</b>	180,762

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

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

### 19 OTHER FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
Financial assets designated at fair value through profit or loss	90,375	–

During the year ended 31 December 2015, the Group purchased equity-linked notes and index-linked note in the total amount of HK\$100,000,000. These investment were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss with subsequent changes in fair values recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20 CASH AND BANK BALANCES

(a)	2015 HK\$'000	2014 HK\$'000
Deposits with banks and other financial institutions	2,373,684	2,515,661
Cash at bank and in hand	18,173	15,166
Cash and bank balances in the consolidated statement of financial position	2,391,857	2,530,827
Less: Bank deposits with maturity over three months at acquisition	(283,800)	–
Cash and cash equivalents in the consolidated cash flow statement	<u>2,108,057</u>	<u>2,530,827</u>

Included in cash and bank balances are the following amounts denominated in a currency other than Hong Kong dollars:

	2015 '000	2014 '000
United States dollars	USD 9	USD 9
Renminbi	RMB 1	RMB 34

#### (b) Major non-cash transactions

During the year ended 31 December 2015, the Group has payable in relation to additions of properties under development for sale of HK\$16,891,000 (2014: HK\$238,125,000). These additions have no cash flow impact to the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK\$12,492,000 (2014: HK\$7,622,000) are expected to be settled or recognised as income within one year. Included in the trade and other payables are amounts due to related companies of HK\$178,573,000 (2014: HK\$568,502,000) which are unsecured, interest-free and repayable within 30 - 45 days or have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Due within 1 month or on demand	<b>205,403</b>	665,918
Due after 1 month but within 3 months	<b>1,053</b>	915
Due after 3 months but within 12 months	<b>7</b>	–
More than 12 months	<b>9</b>	8
	<b>206,472</b>	666,841

*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(a) Tax (recoverable)/payable in the consolidated statement of financial position represents:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	<b>31,890</b>	161,500
Provisional Profits Tax paid	<b>(5,225)</b>	(5,953)
	<b>26,665</b>	155,547
Balance of Hong Kong Profits Tax payable/(recoverable) relating to prior years	<b>148,850</b>	(2,661)
	<b>175,515</b>	152,886

**Represented by:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Tax recoverable	<b>(35,283)</b>	(35,412)
Tax payable	<b>210,798</b>	188,298
	<b>175,515</b>	152,886

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Continued)

**(b) Deferred tax assets and liabilities recognised:**

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

Deferred tax arising from:	Temporary differences from investment properties and other property, plant and equipment <i>HK\$'000</i>	Future benefit of tax losses <i>HK\$'000</i>	Intra-group interest capitalised in properties under development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	32,237	(15,718)	(2,953)	–	13,566
Charged to profit or loss (note 6(a))	9,526	9,977	–	–	19,503
At 31 December 2014 and 1 January 2015	<b>41,763</b>	<b>(5,741)</b>	<b>(2,953)</b>	<b>–</b>	<b>33,069</b>
Charged/(credited) to profit or loss (note 6(a))	<b>4,228</b>	<b>4,107</b>	<b>–</b>	<b>(1,588)</b>	<b>6,747</b>
At 31 December 2015	<b>45,991</b>	<b>(1,634)</b>	<b>(2,953)</b>	<b>(1,588)</b>	<b>39,816</b>

	2015 <i>HK'000</i>	2014 <i>HK'000</i>
Represented by:		
Net deferred tax asset recognised in the consolidated statement of financial position	<b>(5,152)</b>	(5,860)
Net deferred tax liability recognised in the consolidated statement of financial position	<b>44,968</b>	38,929
	<b>39,816</b>	33,069

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) **Deferred tax assets not recognised:**

In accordance with the accounting policy set out in note 1(q), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2015		2014	
	Deductible temporary differences/ tax losses HK\$'000	Deferred tax assets HK\$'000	Deductible temporary differences/ tax losses HK\$'000	Deferred tax assets HK\$'000
(i) Excess of tax written down values over accounting carrying values of other property, plant and equipment	752	124	860	142
(ii) Tax losses	88,458	14,596	79,218	13,071
	<b>89,210</b>	<b>14,720</b>	<b>80,078</b>	<b>13,213</b>

## 23 CAPITAL AND RESERVES

### (a) Movements in components of equity

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

#### The Company

	Note	Share capital HK\$'000 (note 23(b))	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2014</b>		356,274	1,398,527	1,840,470	3,595,271
<b>Changes in equity for 2014:</b>					
Profit for the year		–	–	11,015	11,015
Other comprehensive income		–	–	(1,107)	(1,107)
		–	–	9,908	9,908
Total comprehensive income		–	–	9,908	9,908
Dividends approved in respect of the previous year	9	–	–	(92,631)	(92,631)
Dividends declared in respect of the current year	9	–	–	(356,274)	(356,274)
Transition to no-par value regime on 3 March 2014	23(b)	1,398,527	(1,398,527)	–	–
<b>Balance at 31 December 2014 and 1 January 2015</b>		<b>1,754,801</b>	<b>–</b>	<b>1,401,473</b>	<b>3,156,274</b>
<b>Changes in equity for 2015:</b>					
Profit for the year		–	–	15,351	15,351
Other comprehensive income		–	–	(1,698)	(1,698)
		–	–	13,653	13,653
Total comprehensive income		–	–	13,653	13,653
Dividends approved in respect of the previous year	9	–	–	(199,513)	(199,513)
Dividends declared in respect of the current year	9	–	–	(35,627)	(35,627)
<b>Balance at 31 December 2015</b>		<b>1,754,801</b>	<b>–</b>	<b>1,179,986</b>	<b>2,934,787</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 23 CAPITAL AND RESERVES (Continued)

#### (b) Share capital

	2015		2014	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>356,273,883</b>	<b>1,754,801</b>	356,273,883	356,274
Transition to no-par value regime on 3 March 2014 ( <i>note</i> )	–	–	–	1,398,527
At 31 December	<b>356,273,883</b>	<b>1,754,801</b>	356,273,883	1,754,801

*Note:* The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

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

#### (c) Nature and purpose of reserves

##### (i) Securities revaluation reserve

The securities revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies adopted for the revaluation of securities (see note 1(f)).

##### (ii) Other capital reserves

The other capital reserves comprise the unrealised profit on inter-company interest capitalised under investment properties.

## 23 CAPITAL AND RESERVES (Continued)

### (d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK\$712,675,000 (2014: HK\$934,115,000). After the end of the reporting period the directors proposed a final dividend of HK26 cents (2014: final and second special dividends of HK26 cents and HK30 cents respectively) per ordinary share, amounting to HK\$92,631,000 (2014: HK\$92,631,000 and HK\$106,882,000 respectively) (note 9). These dividends have not been recognised as a liability at the end of the reporting period.

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

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

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

### (a) Credit risk

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

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

## **24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS** (Continued)

### **(a) Credit risk** (Continued)

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of other trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial positions. Except for the financial guarantees given by the Group as set out in note 27, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

### **(b) Liquidity risk**

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loan to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS** (Continued)

**(b) Liquidity risk** (Continued)

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

	2015						2014					
	Contractual undiscounted cash outflow					Carrying amount at 31 December	Contractual undiscounted cash outflow					Carrying amount at 31 December
Within 1 year or on demand	1 year but less than 2 years	2 years but less than 5 years	More than 5 years	Total	Within 1 year or on demand		1 year but less than 2 years	2 years but less than 5 years	More than 5 years	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	<b>248,816</b>	<b>7,608</b>	<b>3,286</b>	<b>1,598</b>	<b>261,308</b>	<b>261,308</b>	1,019,939	3,858	3,764	-	1,027,561	1,027,561

**(c) Currency risk**

The Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow are primarily denominated in Hong Kong dollars.

**(d) Equity price risk**

The Group is exposed to equity price change arising from equity investments classified as available-for-sale securities (see note 15) and financial assets designated at fair value through profit or loss (note 19). All of these investments are listed.

Listed investments held in the available-for-sale securities portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Financial assets designated at fair value through profit or loss are subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factor affecting the value of these financial assets.

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (d) Equity price risk (Continued)

#### Sensitivity analysis

At 31 December 2015, it is estimated that an increase/decrease of 10% (2014: 10%) in the market prices of the investments in available-for-sale securities, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK\$82,768,000 (2014: HK\$52,117,000).

At 31 December 2015, it is estimated that an increase/decrease of 10% in the market prices of the underlying investments of the financial assets designated at fair value through profit or loss, with all other variable held constant would have increased/decreased the profit after tax and retained profits by approximately HK\$9,038,000 (2014: HK\$Nil).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2014.

### (e) Fair value measurement

#### (i) Financial assets measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS** (Continued)

(e) **Fair value measurement** (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2015 categorised into			
	Fair value at 31 December 2015 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Financial assets:				
Available-for-sale securities:				
– Listed	827,680	827,680	–	–
Financial assets designated at fair value through profit or loss	<u>90,375</u>	<u>–</u>	<u>90,375</u>	<u>–</u>
	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale securities:				
– Listed	521,165	521,165	–	–

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (e) Fair value measurement (Continued)

##### (i) Financial assets measured at fair value (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial assets designated at fair value through profit or loss is based on the pricing model taking into account the market closing prices of the underlying equity securities and/or index, volatilities, correlations and interest rates, which are observable market data, at the end of the reporting period.

##### (ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

### 25 OPERATING LEASE COMMITMENTS

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	5,145	5,060
After 1 year but within 5 years	916	4,110
	<b>6,061</b>	9,170

The Group leases a number of retail outlets and offices under operating leases. The leases typically run for an initial period of one to three years. Lease payments are usually fixed during the period of the leases. None of the leases includes contingent rentals.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted for	208,307	162,833
Authorised but not contracted for	891	80,146
	<u>209,198</u>	<u>242,979</u>

### 27 CONTINGENT LIABILITIES

#### Financial guarantees issued

At 31 December 2015, the Company has issued the following guarantees:

- (a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and
- (b) guarantees to a bank in respect of banking facilities granted to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries, being HK\$645,000 (2014: HK\$662,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK\$Nil.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

#### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors, chief executive and the highest paid employees as disclosed in notes 7 and 8 respectively, is as follows:

	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	5,306	5,728
Post-employment benefits	98	89
	<u>5,404</u>	<u>5,817</u>

Total remuneration is included in "staff costs" (see note 5(a)).

#### (b) Other material related party and connected transactions

- (i) In 1999, the Group entered into a development agreement (the "Agreement") with Henderson Land Development Company Limited ("HLD") and two wholly-owned subsidiaries of HLD ("HLD Sub"), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") for a consideration of HK\$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2015, an amount of HK\$265,000 (2014: HK\$8,199,000) remained unpaid and was included in trade and other receivables.

- (ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 31 December 2015. During the year, the Group received management and administrative fees in the total of HK\$150,000 (2014: HK\$150,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK\$38,000 (2014: HK\$82,000) from 2OK. At 31 December 2015, the amount advanced by the Group totalling HK\$1,169,000 (2014: HK\$3,375,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

**28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS** (Continued)

**(b) Other material related party and connected transactions** (Continued)

- (iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK\$1,903,000 (2014: HK\$1,663,000) was charged to the Group for the year. At 31 December 2015, an amount of HK\$990,000 (2014: HK\$881,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the year.

- (iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub C") as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong (the "TKT Property"). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee shall be subject to a total annual ceiling of HK\$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK\$5,500,000 and HK\$6,500,000 for the nine months ended 31 December 2009 and for the year ended 31 December 2010 respectively.

During the years ended 31 December 2015 and 2014, there were no change in cost estimates. At 31 December 2015, an amount of HK\$2,294,000 (2014: HK\$2,294,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

- (v) In November 2008, the Group appointed HLD Sub A as the agent of the Group for marketing of the TKT Property for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold. At 31 December 2014, an amount of HK\$1,104,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year ended 31 December 2015.

**28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)**

**(b) Other material related party and connected transactions (Continued)**

- (vi) In March 2011, the Group appointed HLD Sub A as the project manager of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the "Fanling Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK\$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK\$1,395,000 was charged to the Group for the year ended 31 December 2014. No cost has been charged for the year ended 31 December 2015.

In January 2013, the Group revised the annual cap of the Fanling Project Management Fee as set out in the Fanling Project Management Agreement of the respective years. The Group entered into the Supplemental Fanling Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD ("HLD Sub B"), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the Fanling Project Management Fee and the rights and obligations of HLD Sub A regarding the project sales and marketing services were transferred and novated to HLD Sub B.

- (vii) In March 2011, the Group appointed another wholly-owned subsidiary of HLD ("HLD Sub D") as the main contractor for a fee of 5% on all works relating to the development of the Fanling Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years.

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with HLD Sub D to extend the period of payment of fees for the respective ceilings of HK\$6,800,000 and HK\$19,000,000 for the period from 1 June 2014 to 31 December 2014 and for the year ended 31 December 2015 respectively. During the year, as a result of change in the latest cost estimates, an amount of HK\$9,040,000 and HK\$452,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the Fanling Property. In accordance with the contract entered into with the Group, an amount of HK\$576,763,000, of which HK\$12,639,000 being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the Fanling Property for the year ended 31 December 2014. At 31 December 2015, an amount of HK\$131,938,000 (2014: HK\$507,721,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

**28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)**

**(b) Other material related party and connected transactions (Continued)**

- (viii) In March 2011, the Group appointed HLD Sub A as the project manager of the development of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK\$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK\$138,000 was charged to the Group for the year ended 31 December 2014. At 31 December 2014, an amount of HK\$4,348,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year. The TCS Project Management Agreement expired in March 2014.

In January 2013, the Group revised the annual cap of the TCS Project Management Fee as set out in the TCS Project Management Agreement of the respective years. The Group entered into the Supplemental TCS Project Management Agreement with HLD Sub A and HLD Sub B, pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the TCS Project Management Fee, and the rights and obligations of HLD Sub A regarding the project sales and marketing services were transferred and novated to HLD Sub B.

In October 2015, the Group appointed HLD Sub A as the project manager of the comprehensively planned development consisting of residential component together with ancillary supporting facilities on the TCS Property (the "Proposed TCS Development") for a term of three years commencing from 2 November 2015 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Proposed TCS Development, subject to the annual ceilings for the year ended 31 December 2015 of HK\$1,500,000, and for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 of HK\$4,100,000, HK\$1,600,000 and HK\$1,500,000 respectively. A total fee of HK\$843,000 was charged to the Group for the year. The balance has been repaid during the year.

- (ix) In March 2011, the Group appointed HLD Sub C as the main contractor for a fee of 5% on all works relating to the development of the TCS Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. The TCS Prime Cost Contract expired in July 2014.

In January 2013, the Group revised the annual cap of the TCS Prime Cost Contract as set out in the TCS Prime Cost Contract of the respective years. The Group entered into the Supplemental TCS Prime Cost Contract with HLD Sub C to revise the maximum annual aggregate amounts of the TCS Prime Costs and Fees.

**28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS** (Continued)

**(b) Other material related party and connected transactions** (Continued)

(ix) (Continued)

In October 2015, the Group appointed HLD Sub C as the main contractor of the Proposed TCS Development for a fee of 5% on all works of the Proposed TCS Development. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee subject to the annual ceilings for the year ended 31 December 2015 of HK\$1,260,000, and for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 of HK\$19,990,000, HK\$16,740,000 and HK\$970,000 respectively. In accordance with the contract entered into the Group, an amount of HK\$2,606,000, of which HK\$124,000 being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the TCS Property. At 31 December 2015, an amount of HK\$2,606,000 remained unpaid and was included in trade and other payables.

(x) In July 2011, the Group as landlord and an indirectly non-wholly owned subsidiary of HLD as tenant agreed to renew their tenancy agreements in respect of certain shops and spaces of MHP. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2011 at a monthly rental of HK\$350,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business conducted over HK\$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for fourteen external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrance of MHP for a term of three years commencing from 1 July 2011. Total annual licence fees payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement were HK\$60,000 and HK\$6,600 respectively and expired on 30 June 2014.

In March 2014, the Group and the indirectly non-wholly owned subsidiary of HLD agreed to renew the tenancy and licence agreements for a term of three years commencing from 1 July 2014. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2014 at a monthly rental of HK\$470,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business conducted over HK\$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) an External Wall Signage Licence Agreement for three external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrance of MHP for a term of three years commencing from 1 July 2014. Total annual licence fees payable under the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are HK\$22,000 and HK\$8,000 respectively. The Tenancy Renewal Agreement and two Licence Agreements are subject to annual caps of respective years.

During the year, an amount of HK\$11,464,000 (2014: HK\$9,650,000), being aggregate rental and fees receivable under the aforementioned lease and licences, was credited to the Group.

## 28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

### (b) Other material related party and connected transactions (Continued)

- (xi) In September 2013, the Group appointed HLD Sub A as the project manager of the development of Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong (the "Hung Hom Property") for a term of three years commencing from 5 September 2013 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Hung Hom Property and other lump sum fees for supplementary services subject to the respective ceilings for the year ended 31 December 2013 of HK\$1,300,000, for the years ended 31 December 2014 and 31 December 2015 of HK\$2,300,000 respectively, and for the year ending 31 December 2016 of HK\$600,000. A total fee of HK\$1,885,000 (2014: HK\$2,245,000) was charged to the Group for the year. At 31 December 2015, an amount of HK\$2,480,000 (2014: HK\$3,525,000) remained unpaid and was included in trade and other payables.
- (xii) In December 2013, the Group appointed HLD Sub B as the sales manager of the development of the Hung Hom Property for a term of three years commencing from 1 January 2014 in consideration for a fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the annual ceilings for the years ended 31 December 2014 and 31 December 2015 of HK\$2,500,000 and HK\$1,000,000 respectively, and for the year ending 31 December 2016 of HK\$1,500,000. A total fee of HK\$67,000 (2014: HK\$166,000) was charged to the Group for the year. At 31 December 2015, no amount remained unpaid (2014: HK\$166,000) and was included in trade and other payables.
- (xiii) In August 2014, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre (the "Premises") for the marketing services of the Hung Hom Property for the period from 5 August 2014 to the earlier of 4 April 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the respective ceilings of HK\$3,000,000 for the period from 5 August 2014 to 31 December 2014 and HK\$1,100,000 for the period from 1 January 2015 to 4 April 2015. The letter agreement expired in April 2015.

In March 2015, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises for the continuation of the marketing services of the Hung Hom Property for the period from 5 April 2015 to the earlier of 4 July 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the ceiling of HK\$1,000,000. The second letter agreement expired in July 2015.

In July 2015, the Group entered into a third letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises for the continuation of the marketing services of the Hung Hom Property for the period from 5 July 2015 to the earlier of 4 October 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the ceiling of HK\$1,000,000. The third letter agreement expired in October 2015.

A total fee of HK\$2,558,000 (2014: HK\$2,662,000) was charged to the Group for the year. At 31 December 2015, an amount of HK\$596,000 (2014: HK\$1,651,000) remained unpaid and was included in trade and other payables.

## **28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS** (Continued)

### **(b) Other material related party and connected transactions** (Continued)

- (xiv) In October 2015, the Group appointed HLD Sub B as the sales manager of the Proposed TCS Development for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed TCS Development in consideration of a sales fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by third party sales agent(s)) subject to the annual ceilings for the year ended 31 December 2015 of HK\$700,000, and for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 of HK\$2,000,000, HK\$600,000 and HK\$200,000 respectively. No cost has been charged for the year ended 31 December 2015.
- (xv) In October 2015, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK\$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK\$3,600,000 for the period from 1 January 2016 to 4 January 2017.

A total fee of HK\$1,776,000 was charged to the Group for the year. At 31 December 2015, an amount of HK\$1,677,000 remained unpaid and was included in trade and other payables.

- (xvi) At 31 December 2015, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (2014: 33.33%) of the total number of issued shares of the Company.

Dr. Lee Shau Kee, being a director of the Company, is deemed to have interested in the above transactions as a substantial shareholder of HLD.

To the extent the above transactions constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

### **(c) Applicability of the Listing Rules relating to connected transactions**

The related party transactions in respect of notes 28(b)(vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv) and (xv) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2015.

*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION**

	Note	2015		2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Interest in subsidiaries			4,423,641		4,496,866
Interest in associates			2,988		2,698
Net employee retirement benefits assets			–		1,420
			<u>4,426,629</u>		<u>4,500,984</u>
<b>Current assets</b>					
Trade and other receivables		6,555		2,412	
Cash and bank balances		1,051		1,695	
			<u>7,606</u>		<u>4,107</u>
<b>Current liabilities</b>					
Amounts due to subsidiaries		1,486,860		1,340,814	
Trade and other payables		8,258		8,003	
			<u>1,495,118</u>		<u>1,348,817</u>
<b>Net current liabilities</b>			<u>(1,487,512)</u>		<u>(1,344,710)</u>
<b>Total assets less current liabilities</b>			<b>2,939,117</b>		<b>3,156,274</b>
<b>Non-current liability</b>					
Net employee retirement benefits liabilities			4,330		–
<b>NET ASSETS</b>			<u><b>2,934,787</b></u>		<u><b>3,156,274</b></u>
<b>CAPITAL AND RESERVES</b>					
	23(a)				
Share capital			1,754,801		1,754,801
Reserves			1,179,986		1,401,473
<b>TOTAL EQUITY</b>			<u><b>2,934,787</b></u>		<u><b>3,156,274</b></u>

Approved and authorised for issue by the board of directors on 18 March 2016.

Lam Ko Yin, Colin  
Chairman

Li Ning  
Director

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9.

### 31 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

### 32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Annual Improvements to HKFRSs 2012-2014 Cycle</i>	1 January 2016
<i>Amendments to HKAS 1, Disclosure initiative</i>	1 January 2016
<i>HKFRS 9, Financial instruments</i>	1 January 2018
<i>HKFRS 15, Revenue from contracts with customers</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. The Group is therefore unable to disclose the impact that adopting the amendments and new standards will have on its consolidated financial statements when such amendments and new standards are adopted.

# ***FIVE YEARS' SUMMARY OF ASSETS AND LIABILITIES***

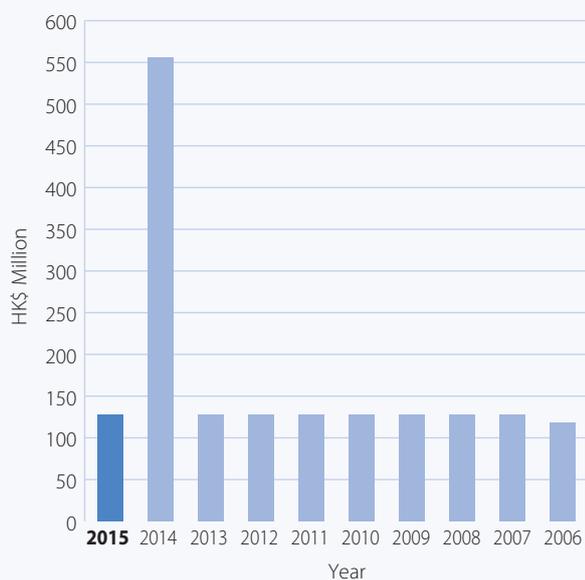
Year	2011 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>	2013 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>	<b>2015 <i>HK\$ Million</i></b>
Investment properties, other property, plant and equipment and leasehold land	1,247	1,304	1,367	1,991	<b>2,106</b>
Interest in associates	25	22	17	14	<b>11</b>
Properties under development for sale	2,050	2,361	2,822	843	<b>241</b>
Investments	493	716	405	523	<b>918</b>
Deferred tax assets	6	7	14	6	<b>5</b>
Other assets	1,118	1,154	3,788	3,701	<b>2,893</b>
Total assets	4,939	5,564	8,413	7,078	<b>6,174</b>
Total liabilities	216	421	3,226	1,255	<b>522</b>
Net assets employed	4,723	5,143	5,187	5,823	<b>5,652</b>

# TEN YEARS' FINANCIAL SUMMARY

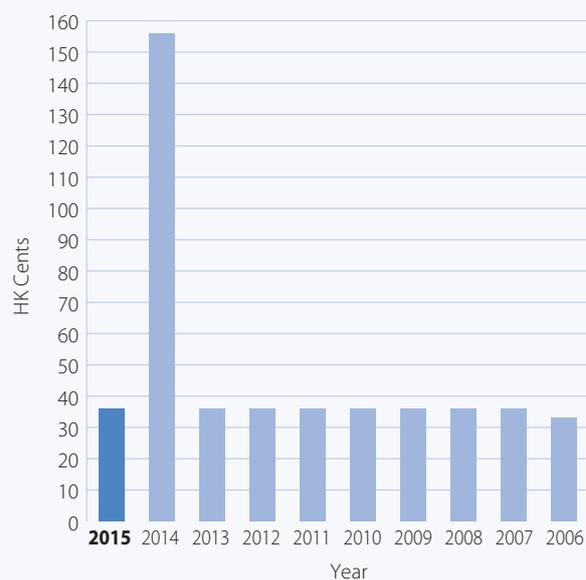
Year		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	<i>HK\$M</i>	708	673	522	2,139	912	635	616	440	3,507	<b>1,068</b>
Profit/(loss) attributable to shareholders	<i>HK\$M</i>	131	389	(527)	1,095	483	565	397	293	1,031	<b>193</b>
Dividends	<i>HK\$M</i>	118	128	128	128	128	128	128	128	556	<b>128</b>
Shareholders' funds	<i>HK\$M</i>	3,411	3,713	2,973	4,101	4,425	4,729	5,143	5,187	5,823	<b>5,652</b>
Earnings/(loss) per share	<i>HK Cent</i>	36.8	109.2	(147.9)	307.5	135.6	158.6	111.5	82.4	289.5	<b>54.1</b>
Dividend per share	<i>HK Cent</i>	33.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	156.0	<b>36.0</b>
Dividend cover	<i>Times</i>	1.1	3.0	–	8.5	3.8	4.4	3.1	2.3	1.9	<b>1.5</b>
Return/(loss) on equity	<i>%</i>	3.9	10.5	(17.7)	26.7	10.9	12.0	7.7	5.7	17.7	<b>3.4</b>
Net assets per share	<i>HK\$</i>	9.6	10.4	8.3	11.5	12.4	13.3	14.4	14.6	16.3	<b>15.9</b>

## TEN YEARS' FINANCIAL SUMMARY (CONTINUED)

### Dividends



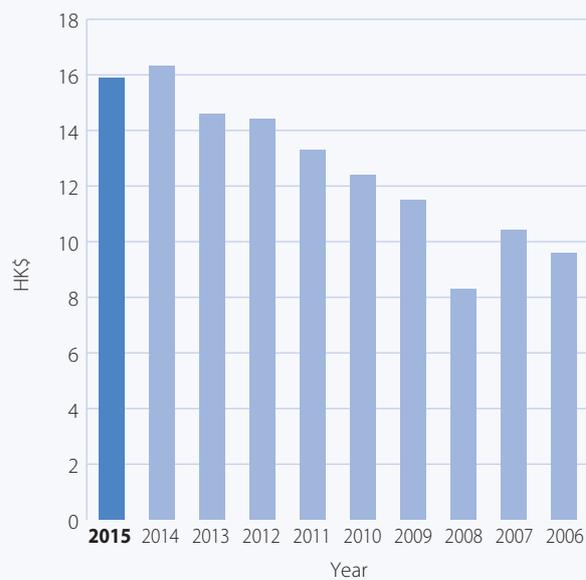
### Dividends per share



### Shareholders' funds



### Net assets per share



# GROUP PROPERTIES

As at 31 December 2015

## 1. PROPERTY UNDER DEVELOPMENT

Location	Lot No.	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)	Intended use
Harbour Park 208 Tung Chau Street (formerly known as 204-214 Tung Chau Street)	NKIL 48, s.B. R.P., s.B.ss.1R.P., R.P., s1& sH	614	5,016	100	Commercial and residential

## 2. PROPERTIES HELD FOR SALE

Location	Lot No.	Saleable floor area (sq.m.)	Group's interest (%)	Existing use
Metro6 121 Bulkeley Street	Hung Hom I.L. No.555	464*	100	Residential
Green Code 1 Ma Sik Road Fanling	F.S.S.T.L. 177 (S.T.T. 1364(N))	980*	100	Residential
Shining Heights 83 Sycamore Street	KIL 11159	803*	100	Residential
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	175*	100	Residential

## 3. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area (sq.m.)	Lease expiry (year)	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
Metro6 121 Bulkeley Street	Hung Hom I.L. No.555	932	2061	Commercial arcade

## GROUP PROPERTIES (CONTINUED)

As at 31 December 2015

### 3. PROPERTIES HELD FOR INVESTMENT (Continued)

Location	Lot No.	Gross floor area (sq.m.)	Lease expiry (year)	Existing use
Green Code 1 Ma Sik Road Fanling	F.S.S.T.L. 177 (S.T.T. 1364(N))	8,610	2060	Commercial arcade
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown

### 4. OTHER PROPERTIES

Location	Lot No.	Site area (sq.m.)	Lease expiry (year)	Group's interest (%)	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431-487, 569 and 635-637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos 498-499, and 588-591	849	2047	100	Agricultural land

\* The area represents saleable floor area of unsold units at 31 December 2015.

# HARBOUR PARK

## 海柏匯

208 Tung Chau Street, Kowloon  
(formerly known as 204-214 Tung Chau Street)  
九龍通州街208號  
(前稱通州街204-214號)



With a total gross floor area of approximately 55,000 sq. ft., Harbour Park is a 26-storeys building and it comprises 161 residential units. The construction is processing well. It is expected to be completed in 2017.

「海柏匯」總樓面面積約五萬五千平方呎，該物業為樓高二十六層，共一百六十一個住宅單位。建築工程順利進行，該工程預計於二零一七年內完成。

## METRO6 城中匯

121 Bulkeley Street, Kowloon on Hung Hom Inland Lot No. 555  
位於紅磡內地段第五百五十五號·九龍寶其利街一百二十一號

The residential-cum-commercial tower provides a total gross floor area of approximately 56,000 sq. ft. and comprises 95 residential units. 83 residential units had been sold, and there are 12 unsold units.

該商住物業興建九十五個住宅單位，總樓面面積約五萬六千平方呎。已售出八十三個住宅單位，尚餘十二個單位未出售。



## GREEN CODE 逸峯

No. 1 Ma Sik Road, Fanling, New Territories  
新界粉嶺馬適路一號

The sale of the Group's Green Code is in progress. A total of 19 residential units has been sold in 2015, and there are 10 unsold units.

集團出售「逸峯」正進行中。於二零一五年，售出共十九個住宅單位，尚餘十個單位未出售。





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