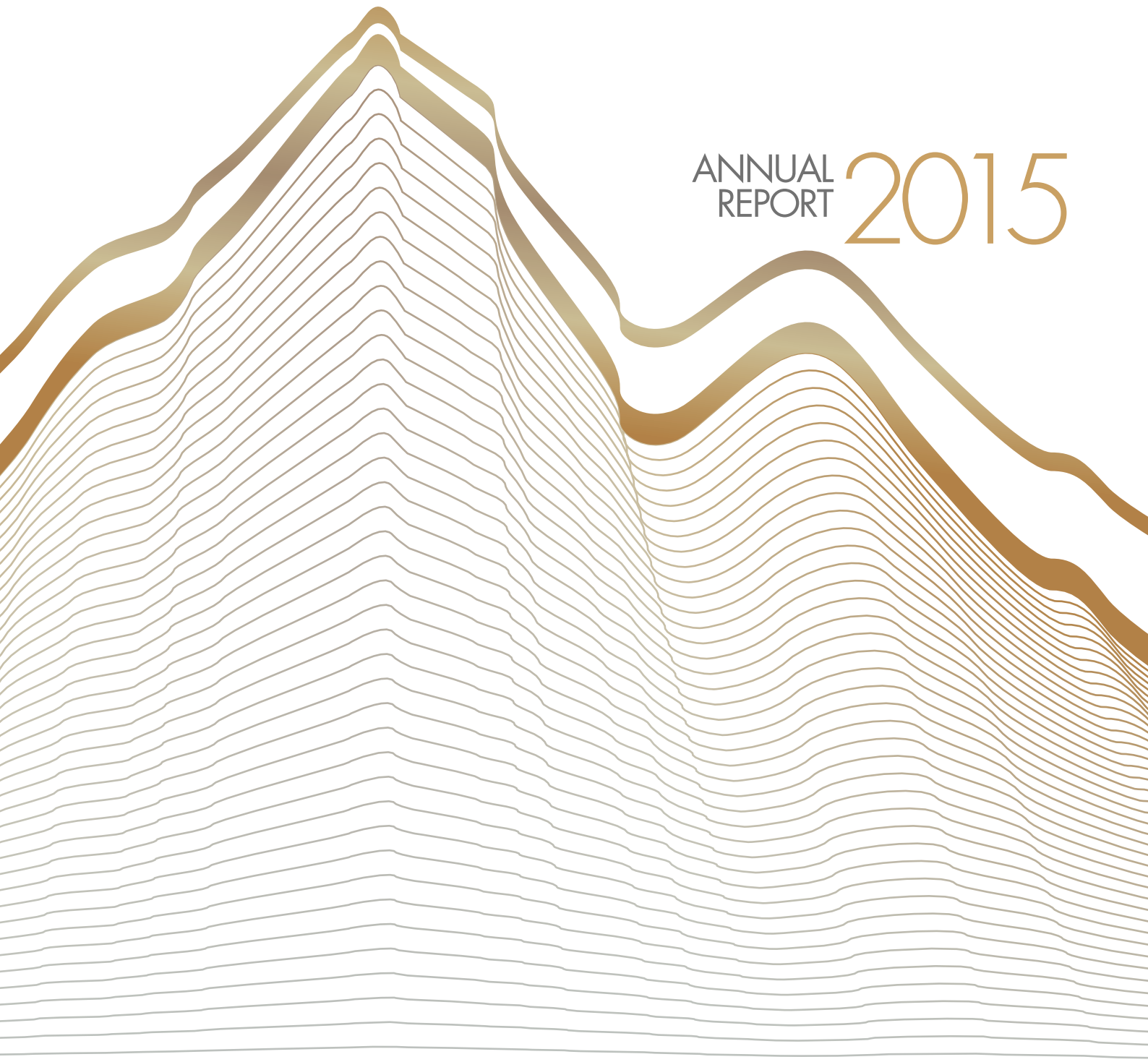




Nanyang Holdings Limited

(Incorporated in Bermuda with limited liability) Stock Code: 212

ANNUAL
REPORT 2015



C O N T E N T S

	Page
Corporate information	2
Group financial highlights	3
Five year financial summary	4
Notice of annual general meeting	5-8
Directors' profile	9-11
Report of the directors	12-16
Corporate governance report	17-23
The chairman's statement	24-28
Independent auditor's report	29-30
Consolidated income statement	31
Consolidated statement of comprehensive income	32
Consolidated balance sheet	33-34
Consolidated statement of changes in equity	35
Consolidated statement of cash flows	36
Notes to the financial statements	37-103
Schedule of principal properties	104

Directors

- # Rudolf Bischof (Chairman)
- Hung Ching Yung, JP (Managing Director)
- Lincoln C. K. Yung, JP, FHKIB (Deputy Managing Director)
- # James Julius Bertram (passed away on 18 June 2015)
- # Robert Tsai To Sze
- * John Con-sing Yung
- # Kwan Wing Kwong Zachary (appointed on 2 September 2015)
- Jennie Chen (Financial Controller)

Independent non-executive directors

* *Non-executive director*

Company Secretary

John Barr (resigned on 28 August 2015)

Lee Sheung Yee (appointed on 28 August 2015)

Principal Share Registrar and Transfer Agent

Appleby Management (Bermuda) Ltd

Canon's Court, 22 Victoria Street

Hamilton HM 12

Bermuda

Branch Share Registrar and Registration Office

Computershare Hong Kong Investor Services Limited

Rooms 1712-16, 17/F, Hopewell Centre

183 Queen's Road East

Hong Kong

Auditors

PricewaterhouseCoopers

22/F, Prince's Building

Central, Hong Kong

Bankers

The Hongkong & Shanghai Banking Corporation Ltd

Shanghai Commercial Bank Ltd

Solicitors

Mayer Brown JSM

Company Website

www.nanyangholdingslimited.com

G R O U P F I N A N C I A L H I G H L I G H T S

	2015 HK\$'000	2014 HK\$'000	Variance
Revenue and income	<u>125,109</u>	<u>137,146</u>	(9%)
Profit attributable to equity holders of the Company	157,131	357,758	(56%)
Profit attributable to equity holders of the Company after deducting:			
– changes in fair value of investment properties and related tax effects	(95,332)	(200,310)	(52%)
– share of gain on disposal of a wholly owned subsidiary of a joint venture	<u>–</u>	<u>(74,795)</u>	N/A
	<u>61,799</u>	<u>82,653</u>	(25%)
	2015 HK\$	2014 HK\$	
Earnings per share	4.46	9.02	(51%)
Earnings per share			
– after deducting the changes in fair value of investment properties and related tax effects and the share of gain on disposal of a wholly owned subsidiary of a joint venture	1.75	2.08	(16%)
Final dividend per share	0.60	0.60	–
Special dividend per share	0.40	0.60	(33%)
Dividend per share	1.00	1.20	(17%)
Net asset value per share	<u>101.64</u>	<u>104.25</u>	(3%)

F I V E Y E A R F I N A N C I A L S U M M A R Y

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Consolidated Income Statement					
Revenue and income	125,109	137,146	155,651	140,716	118,900
Operating profit	160,395	283,860	160,278	557,155	221,030
Finance income/(expense), net	1,536	(434)	(794)	(1,082)	(807)
Share of profits less losses of joint ventures and associate	14,896	91,002	14,558	22,188	8,553
Profit before income tax	176,827	374,428	174,042	578,261	228,776
Income tax expense	(19,696)	(16,670)	(11,838)	(18,629)	(17,257)
Profit attributable to equity holders of the Company	157,131	357,758	162,204	559,632	211,519
Dividends paid	42,314	37,015	32,902	20,644	33,097
Consolidated Balance Sheet					
Property, plant and equipment	798	1,033	1,140	1,119	1,320
Investment properties	2,031,370	1,945,200	1,742,200	1,691,730	1,228,440
Investments in joint ventures	104,919	104,736	260,958	212,606	189,716
Available-for-sale financial assets	1,169,115	1,366,156	1,431,326	1,342,745	1,386,402
Investment in an associate	75,261	75,412	–	–	–
Deferred income tax assets	442	593	384	102	103
Derivative financial instruments, net	–	–	–	–	(385)
Net current assets	223,197	202,585	229,817	168,766	110,205
Deferred income tax liabilities	(20,973)	(19,819)	(18,572)	(21,048)	(18,819)
Net assets	3,584,129	3,675,896	3,647,253	3,396,020	2,896,982
Share capital	3,526	3,526	4,113	4,129	4,129
Reserves	3,580,603	3,672,370	3,643,140	3,391,891	2,892,853
Total equity	3,584,129	3,675,896	3,647,253	3,396,020	2,896,982

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Nanyang Holdings Limited will be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 27 May 2016 at 12:00 noon for the following purposes:

1. To receive and consider the audited Financial Statements and the reports of the Directors and the Auditor for the year ended 31 December 2015;
2. To approve the payment of a final dividend and a special dividend;
3. To re-elect retiring Directors;
4. To re-appoint the Auditor and fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following Resolutions:

As Ordinary Resolutions:-

5. THAT:
 - (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
 - (b) the aggregate number of shares which may be purchased on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for this purpose under the Hong Kong Code on Share Buy-backs pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate number of issued shares of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly;

N O T I C E O F A N N U A L
G E N E R A L M E E T I N G *(cont'd)*

- (c) for the purposes of this Resolution: “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:-
- (i) the conclusion of the next Annual General Meeting of the Company; and
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.
6. THAT:
- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company, shall not exceed the aggregate of (aa) 10 per cent. of the aggregate number of issued shares of the Company at the date of passing this Resolution plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of shares of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate number of issued shares of the Company at the date of passing the resolution set out as Resolution 5 above), and the said approval shall be limited accordingly; and

N O T I C E O F A N N U A L
G E N E R A L M E E T I N G *(cont'd)*

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company; and
- (ii) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

7. THAT the Directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 6 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.

By Order of the Board

Lee Sheung Yee
Company Secretary

Hong Kong, 17 March 2016

NOTICE OF ANNUAL GENERAL MEETING *(cont'd)*

Notes:

1. The register of members of the Company will be closed from 2 June 2016 to 3 June 2016, both days inclusive. To qualify for the final and special dividends, transfers should be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 June 2016.
2. A member entitled to attend, act and vote is entitled to appoint one or more proxies to attend, act and vote instead of him. A proxy need not be a member of the Company. To be valid, an instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, and in default thereof the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.

Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned, and in such event the instrument appointing a proxy shall be deemed to be revoked.

3. Corporate representatives shall before the meeting commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 2 above shall be applicable.

4. In relation to the general mandate referred to in Resolution 6 above, the Directors have no specific proposal in mind but wish to be in a position to take advantage of any opportunities which may arise.
5. The Chairman will demand that each of the resolutions set out in the notice of this meeting be voted on by poll.

Rudolf Bischof

Chairman, Independent Non-Executive Director, Chairman of Nomination Committee, Member of Remuneration Committee and Member of Audit Committee

Mr. Rudolf Bischof, aged 74, was appointed a Director of the Company in March 1998 and became Chairman in August 2003. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York.

Hung Ching Yung, JP

Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Hung Ching Yung, aged 93, has been the Managing Director of the Company for 69 years since it was founded in 1947. He studied in St. John's University and graduated from the University of Shanghai. He is now the Chairman of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan. He is also a Director of Shanghai Sung Nan Textile Co. Ltd., Shanghai Commercial Bank Ltd. in Hong Kong, Pafoong Insurance Company (Hong Kong) Ltd., and The Wing On Enterprises, Ltd. He was the Founder of the Hong Kong Cotton Spinners Prevocational School and has been an Advisor of the Tung Wah Group of Hospitals since 1956 until now. He is the father of Mr. Lincoln C. K. Yung and the grandfather of Mr. John Con-sing Yung.

Lincoln Chu Kuen Yung, JP, FHKIB

Deputy Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Lincoln Yung, aged 70, has been a Director of the Company for 39 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from the University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is a Fellow of The Hong Kong Institute of Bankers and appointed an Adjunct Professor of The Hong Kong Polytechnic University (School of Accounting and Finance). Mr. Yung is currently the Chairman and Non-Executive Director of Shanghai Commercial Bank Limited and Pafoong Insurance Company (Hong Kong) Limited. He is also an Independent Director of Tai Ping Carpets International Limited, a Director of The Shanghai Commercial & Savings Bank, Ltd., and Non-Executive Vice-Chairman of Southern Textile Co. Ltd. In 2013, Mr. Yung became Chairman of Shanghai Sung Nan Textile Co. Ltd. and President of Hong Kong Wuxi Trade Association Limited. He is the son of Mr. Hung Ching Yung and the father of Mr. John Con-sing Yung.

Robert Tsai To Sze

Independent Non-Executive Director, Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Mr. Robert Sze, aged 75, was appointed a Director of the Company in August 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he had practised for over 20 years. He is an Independent Non-Executive Director ("INED") of a number of Hong Kong listed companies, China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited and Sunwah Kingsway Capital Holdings Limited. He has also been an INED of Asia Satellite Telecommunications Holdings Limited (retired on 19 June 2013) and QPL International Holdings Limited (retired on 23 September 2013) during the past three years.

John Con-sing Yung

Non-Executive Director

Mr. John Yung, aged 47, was appointed a Non-Executive Director of the Company in December 2012. He holds a bachelor degree in arts and a master degree in business administration from the University of Chicago. Mr. Yung has been appointed as a Director of Nanyangetextile.com Limited, an indirect wholly owned subsidiary of the Company, since 2000. He has been appointed as a Director of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan (“SCSB”) since 2003. He is presently an Executive Vice President and the Chief Information Officer of SCSB, responsible for the bank’s overseas expansion and relationship with other financial institutions. He is also an Alternate Director of Shanghai Commercial Bank Ltd. in Hong Kong. Mr. Yung serves as a member of the Shanghai Committee of the Chinese People’s Political Consultative Conference. He has over nine years of experience in information technology and telecommunication business in the Asia Pacific region. Mr. Yung is a son of Mr. Lincoln C. K. Yung and a grandson of Mr. Hung Ching Yung.

Kwan Wing Kwong Zachary

Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination Committee

Mr. Kwan Wing Kwong Zachary, aged 63, has over 38 years of experience in the banking industry in Hong Kong. During the period from April 1976 to June 2013, Mr. Kwan worked in Shanghai Commercial Bank Limited and held various positions including Manager of Bills Department, Manager of certain branches and Head of Human Resources & Administration. He retired from Shanghai Commercial Bank Limited in June 2013.

Jennie Chen

Director and Financial Controller

Ms. Jennie Chen, aged 60, was appointed a Director of the Company in September 2003. Ms. Chen holds the position of Financial Controller and has been with the Company for 30 years. She graduated from the University of Toronto and has experience in accountancy, finance and investment, and the textile industry. She is also a Director of Southern Textile Co. Ltd. and Shanghai Sung Nan Textile Co. Ltd.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of its joint ventures, associate and subsidiaries are shown in Notes 14, 15 and 32 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 31.

The Directors recommend the payment of a final dividend of HK\$0.60 per share and a special dividend of HK\$0.40 per share, representing a total dividend distribution of approximately HK\$35.3 million. Subject to the approval at the Annual General Meeting, the final and special dividends will be paid on 15 June 2016.

Distributable Reserves

Distributable reserves of the Company at 31 December 2015, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$437,085,000 (2014: HK\$416,396,000).

Principal Properties

Details of the principal properties of the Group are set out on page 104.

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 21 of the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

REPORT OF THE DIRECTORS *(cont'd)*

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 9 to 11.

Mr. Kwan Wing Kwong Zachary retires at the Annual General Meeting in accordance with Bye-Law 100 of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

Mr. John Con-sing Yung retires by rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

Mr. Hung Ching Yung retires voluntarily in accordance with the Company's Corporate Governance Code and, being eligible, offers himself for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests

As at 31 December 2015, the interests of the Directors and chief executive in the shares of the Company as recorded in the Register of Directors'/Chief Executive's Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Shares of HK\$0.10 each of the Company				% of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	46.03%
Lincoln C. K. Yung	2,240,000	10,000	-	2,250,000	6.38%
Rudolf Bischof	150,000	-	-	150,000	0.43%
John Con-sing Yung	33,000	37,000	-	70,000	0.20%

Note: As stated below, Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc., pursuant to the SFO.

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Directors' Interests *(cont'd)*

During the year, the Company has not granted to any Directors, chief executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company.

No contracts of significance in relation to the business of the Group to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2015, the Register of Substantial Shareholders' Interests and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	Number of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	15.60%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

R E P O R T O F T H E

D I R E C T O R S *(cont'd)*

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

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

Permitted indemnity provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Major Suppliers and Customers

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

Purchases

– the largest supplier	69%
– five largest suppliers combined	87%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 13% and 25% of the Group's total income from investment properties for the year.

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

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Related Party Transactions

Details of related party transactions are set out in Note 30 to the financial statements. None of the transactions constitute a connected transaction as defined in the Listing Rules.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 17 March 2016.

Business review

Business review and prospects analysis is set out on page 25 to 27.

Auditors

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

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 17 March 2016

C O R P O R A T E G O V E R N A N C E

R E P O R T

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year, the Company was in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' securities transactions

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

Board of Directors

The Board of Directors (the "Board") of the Company provides leadership and supervises the overall direction of the Group's businesses. The day-to-day management however has been delegated to the Executive Directors.

The Board comprises seven Directors; three Executive Directors, three Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. The Company Secretary keeps the minutes of Board meetings.

The Company has insurance coverage for its Directors and officers.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Board of Directors *(cont'd)*

The Board held four board meetings and an annual general meeting in 2015. Attendance of individual Directors is listed below:

		Board Meetings	Annual General Meeting
Executive Directors			
Mr. Hung Ching Yung, JP	Managing Director	4/4	1/1
Mr. Lincoln C. K. Yung, JP, FHKIB	Deputy Managing Director	4/4	1/1
Ms. Jennie Chen	Financial Controller	4/4	1/1
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	4/4	1/1
Mr. James Julius Bertram (Note 1)	Director	2/2	1/1
Mr. Robert Tsai To Sze	Director	4/4	1/1
Mr. Kwan Wing Kwong Zachary (Note 2)	Director	1/1	N/A
Non-Executive Director			
Mr. John Con-sing Yung	Director	4/4	1/1

Notes:

1. Mr. James Julius Bertram passed away on 18 June 2015.
2. Mr. Kwan Wing Kwong Zachary was appointed on 2 September 2015.

Mr. Rudolf Bischof is the Chairman of the Board and an Independent Non-Executive Director. Mr. Hung Ching Yung is the Chief Executive Officer of the Group.

Mr. Hung Ching Yung is the father of Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung is a son of Mr. Lincoln C. K. Yung.

The Independent Non-Executive Directors and Non-Executive Director are appointed for a specific term and are subject to retirement by rotation.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Directors' continuous professional development

All the Directors of the Company participate in continuous professional development to ensure they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and Corporate Governance Code.

Directors are provided with written materials from time to time, they attend seminars and the Company Secretary also arranges suitable in-house training on the latest development of rules and regulations for assisting the Directors in discharging their duties.

According to the records maintained by the Company, the Directors received the following training on continuous professional development during the year.

		Material	In-house training/ seminars
Executive Directors			
Mr. Hung Ching Yung, JP	Managing Director	√	√
Mr. Lincoln C. K. Yung, JP, FHKIB	Deputy Managing Director	√	√
Ms. Jennie Chen	Financial Controller	√	√
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	√	√
Mr. James Julius Bertram (Note)	Director	N/A	N/A
Mr. Robert Tsai To Sze	Director	√	√
Mr. Kwan Wing Kwong Zachary	Director	√	√
Non-Executive Director			
Mr. John Con-sing Yung	Director	√	√

Note: Mr. James Julius Bertram passed away on 18 June 2015.

Remuneration Committee

The Remuneration Committee was established by the Board on 25 May 2005. The written terms of which were revised on 7 December 2005, 7 May 2012 and 18 May 2012 and further revised on 2 September 2015. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Remuneration Committee *(cont'd)*

The Committee met once in 2015. Attendance of individual members is listed below:

	Attendance
Mr. Kwan Wing Kwong Zachary – Chairman of the Remuneration Committee	1/1
Mr. Rudolf Bischof	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Lincoln C. K. Yung, JP, FHKIB	1/1
Mr. Robert Tsai To Sze	1/1

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Auditor's Remuneration

For the year ended 31 December 2015, fees payable to the auditors of the Group for audit and non-audit services amounted to HK\$1,756,000 and HK\$674,000 respectively.

Nomination Committee

The Nomination Committee was established by the Board on 21 March 2012. The written terms of which were revised on 2 September 2015. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2015. Attendance of individual members is listed below:

	Attendance
Mr. Rudolf Bischof – Chairman of the Nomination Committee	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Lincoln C.K. Yung, JP, FHKIB	1/1
Mr. Robert Tsai To Sze	1/1
Mr. Kwan Wing Kwong Zachary	1/1

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Nomination Committee *(cont'd)*

The principal duty of the Committee is to review the structure, size and composition of the Board annually, to make recommendations regarding any proposed changes to complement the corporate strategy and to identify individuals suitably qualified to become Board members. The Committee also assesses the independence of Independent Non-Executive Directors and makes recommendations to the Board on the appointment or re-appointment of Directors in particular the Chairman and the Chief Executive. In doing this, professional advice may be sought if considered necessary.

Board Diversity Policy

The Board adopted a board diversity policy in 2013 as it recognises and endorses the principle that the Company should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business.

The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. The Board ensures that changes to its composition can be managed without undue disruption.

The Nomination Committee will review this Policy from time to time and monitor its implementation.

Audit Committee

The Audit Committee was established by the Board on 25 September 1998. The Committee consists of the three Independent Non-Executive Directors, Mr. Robert Tsai To Sze FCA, FCPA, Mr. Rudolf Bischof and Mr. Kwan Wing Kwong Zachary.

The Committee met twice in 2015. Attendance of individual members is listed below:

	Attendance
Mr. Robert Tsai To Sze FCA, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. James Julius Bertram (Note 1)	1/1
Mr. Kwan Wing Kwong Zachary (Note 2)	N/A

Notes:

1. Mr. James Julius Bertram passed away on 18 June 2015.
2. Mr. Kwan Wing Kwong Zachary was appointed on 2 September 2015.

Audit Committee *(cont'd)*

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and the code provision C3.3 (the “Code Provision”) of the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules, written terms of reference (the “Terms”) which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30 June 2005. The amendments to the Code Provision which became effective on 1 January 2009 were adopted and incorporated in the Terms by the Board of the Company on 15 April 2009 and revised on 18 May 2012 and 2 September 2015 and further revised on 2 December 2015. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures.

During 2015, the Audit Committee met to review the 2014 annual report and accounts and the 2015 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence, thereafter reporting to the Board.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group’s assets and the interests of shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the Executive Directors.

During the year, independent consultants were hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high-level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems.

The Company has also established a whistleblowing policy under which employees who have concerns about any suspected misconduct or malpractice can raise their concern in confidence without fear of reprisal or victimisation.

Directors’ Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group’s annual results and interim results are announced in a timely manner.

The independent auditor’s report states the auditors’ reporting responsibilities.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Company Secretary

The Company Secretary, not being a full time employee of the Group, ensures that board procedures are followed and is responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors.

Shareholders' Rights

The Company established a shareholder communication policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner.

The Company has also established procedures on how Shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a Shareholder and procedures for Shareholders to propose a person for election as a Director. Details of these procedures and policy are available under the Corporate Governance section of the Company's website at <http://www.nanyangholdingslimited.com>.

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 17 March 2016

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that for the year ended 31 December 2015 the Group reported a profit after taxation of HK\$157.1 million. This includes a revaluation gain of investment properties at fair value totalling HK\$95.3 million (2014: profit of HK\$357.8 million). The latter included the revaluation gain of investment properties at fair value totalling HK\$200.3 million and the share of the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture, totalling HK\$74.8 million. Total comprehensive income attributable to equity holders of the Company for the year showed a loss of HK\$49.5 million as compared to an income of HK\$266.4 million in 2014 due mainly to decrease in valuation of our available-for-sale financial assets and investment properties, and the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture recognised last year. The current year’s profit comprises mainly the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2014 earnings, of approximately HK\$41.3 million (after deducting 20% withholding tax) and the change in fair value of investment properties (including those owned by joint ventures and an associate) which resulted in a net gain of HK\$95.3 million (2014: HK\$200.3 million). Excluding the net effect of revaluing the investment properties at fair value, 2015 would have shown a profit after tax of HK\$61.8 million (2014: profit of HK\$82.7 million). The latter excluded the revaluation gain of investment properties at fair value and the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture. Earnings per share were HK\$4.46 (2014: HK\$9.02). However, if the net effect of revaluing the investment properties at fair value had been excluded, earnings per share would have been HK\$1.75 (2014: HK\$2.08). The latter excluded the revaluation gain of investment properties at fair value and the gain on disposal of the one-third equity interest in the wholly owned subsidiary of a joint venture. The Group’s net asset value per share decreased from HK\$104.25 (at 31/12/2014) to HK\$101.64 (at 31/12/2015).

The Directors recommend the payment of a final dividend of HK\$0.60 per share and a special dividend of HK\$0.40 per share, representing a total dividend distribution of approximately HK\$35.3 million (2014: final dividend of HK\$0.60 per share and a special dividend of HK\$0.60 per share, representing a total dividend distribution of approximately HK\$42.3 million).

Business Review and Prospects

Real Estate

Hong Kong

The sluggish economy and the volatile equity market has affected the local property market. The take-up rate at our building has slowed, however, rental levels continued to improve. Of the 290,000 sq.ft. of industrial/office space which the Group holds at Nanyang Plaza, in Kwun Tong, presently 93.2% is leased.

Shanghai

The joint venture of which the Company owns 65%, Shanghai Sung Nan Textile Co., Ltd., was previously a factory site. It had been converted to offices for rental and continued to be profitable. The total leasable area of 28,142 sq.m. is presently fully leased to third parties. The anchor tenant, who leased the main factory building (of 21,202 sq.m.), is a Taiwan listed company in the restaurant and wedding banquet business.

The Group's investment, a 16.7% interest in HSL China Metropolitan Fund ("Fund") which holds a service apartment in Shanghai, has been classified as an associate. In July 2015, the General Partner proposed to sell the units by strata-title. Planning and renovation of the building to facilitate the sale commenced in September. Renovation of the lift lobby, a part of external podium facade, the sales office and four show flats were completed in early December and sales promotion of the units were launched soon after. The several interest rate cuts as announced by the PRC Government and cuts to the bank's reserve requirement ratio rate should enhance the property market.

Shenzhen

Results at the Group's 45% joint venture, Southern Textile Company Limited, continued to be satisfactory. The land use right of the factory building has been extended for 20 years to 2033. During the year, Southern's management upgraded the corridors of two floors of the building which is 30 years old and installed new electrical wiring. This should enhance occupancy. Of the total leasable area of 18,300 sq.m., presently almost 100% is leased.

Business Review and Prospects *(cont'd)*

Financial Investments

In the second half of 2015, the devaluation of the Renminbi, the sharp decline in commodity prices, a slowdown of the PRC economy and the increase of interest rates in the United States at the end of the year created significant volatility in global equity markets. During this period, we reduced Asian and emerging market equities and exposure to commodities. For the year ended 31 December 2015, the investment portfolios showed a decline of 0.57%. At year end, equities comprised 61.1% (of which 36.3% was in US equities), bonds 22.5%, commodities 2.0% and cash 14.4%. The market value of the portfolios stood at US\$37.0 million or approximately HK\$287.5 million.

Since the beginning of 2016, the situation deteriorated further with the continuation of the decline in commodities, especially oil prices, concerns over slowing economic growth in the PRC and further increases in interest rates in the United States, and equity markets became very volatile. For the first two months, all major indices were down. We reduced commodities further and raised cash. As at 11 March 2016, the latest practicable date, the portfolios have decreased year-to-date by approximately 3.77% and the value stood at US\$35.6 million or approximately HK\$276.3 million. Equities comprised 58.4% (of which 37.0% was in U.S. equities), bonds 24.7%, commodities 0.8% and cash 16.1%.

For the rest of the year, the economic activities seem sluggish as slower growth in the PRC will contribute to more volatility in the equity markets. The interest rates in the US may also rise modestly. However, concerted efforts by governments in Europe and Japan to continue their stimulus measures and maintain interest rates at historically low levels, and policies enacted by the PRC Government to moderate the slowing economy may bring some relief. Against the current backdrop of geopolitical tensions and economic uncertainties, global markets would remain volatile.

The Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB") in Taiwan, representing approximately 4% of the total issued share capital, continued to perform satisfactorily. It has been classified under non-current assets as an available-for-sale financial asset ("asset"), as there is no intention to dispose of it within 12 months of the annual report date. In 2015, the Group received net cash dividends of approximately HK\$41.3 million.

Business Review and Prospects *(cont'd)*

Financial Investments *(cont'd)*

The market volatility has affected the Taiwan equities market. For the year 2015, due to decline of the New Taiwan dollar and the SCSB share price, the value of the asset decreased by approximately HK\$196.5 million or 19.8%. Since beginning of 2016 to the latest practicable date, as at 11 March 2016, the investment declined further by approximately HK\$51.2 million or 4.4%. The decline, however, has no impact on the profit of the Group as the fair value of the SCSB shares remain above its historical cost.

SCSB is expanding in the Asia Pacific region. In December 2015, the representative office in Jakarta, Indonesia officially opened. Presently SCSB has 69 branches in Taiwan, one in Hong Kong and one in Vietnam. They have received approval from the Taiwan authorities to open a branch in Singapore. Besides Jakarta, Indonesia, SCSB has a representative office in Bangkok, Thailand and one in Cambodia. SCSB holds a 57% interest in Shanghai Commercial Bank Limited (“SCB”) in Hong Kong. In 2016, SCB is celebrating its 65th anniversary. Its new state-of-the-art headquarters building, with modern environmental friendly technologies, at Queen’s Road Central, is completed and occupation is expected at the end of 2016. SCB has 44 branches in Hong Kong, three in China and four branches overseas. The unaudited net income of SCSB for the nine months ended 30 September 2015 was approximately NT\$8,762.7 million (2014 same period: net income of approximately NT\$8,014.9 million), representing an increase of 9.3%. Total shareholders equity at 30 September 2015 was approximately NT\$112,219.2 million (30/9/2014: approximately NT\$102,687.5 million), an increase of 9.3%. (These figures were extracted from SCSB’s website at <http://www.scsb.com.tw>)

Financial Position

The Group’s investment properties with an aggregate value of HK\$1,892 million (31/12/2014: HK\$1,823 million) have been mortgaged to a bank to secure general banking facilities of which HK\$40 million was utilised as at 31 December 2015 (31/12/2014: HK\$75 million). The Group also borrowed Euro 2.0 million (approximately US\$2.5 million as at 31 December 2015) collateralized by a portion of the investment portfolio, to hedge its Euro exposure. At the end of the year, the Group had net current assets of HK\$223.2 million (31/12/2014: HK\$202.6 million).

Employees

The Group employed 14 employees as at 31 December 2015. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries and discretionary bonuses are reviewed annually. The Group also provides other benefits including medical cover and provident funds.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their contribution to the Group.

Rudolf Bischof

Chairman

Hong Kong, 17 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nanyang Holdings Limited (the “Company”) and its subsidiaries set out on pages 31 to 103, which comprise the consolidated balance sheets as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their 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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 March 2016

C O N S O L I D A T E D I N C O M E

S T A T E M E N T

For the Year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue and income	5	125,109	137,146
Direct costs	6	<u>(15,343)</u>	<u>(14,304)</u>
Gross profit		109,766	122,842
Administrative expenses	6	(34,153)	(38,919)
Other operating expenses	6	(1,075)	(1,846)
Changes in fair value of investment properties		<u>85,857</u>	<u>201,783</u>
Operating profit		160,395	283,860
Finance income/(expense), net	8	1,536	(434)
Share of profits of joint ventures	14	10,331	91,002
Share of profit of an associate	15	<u>4,565</u>	<u>–</u>
Profit before income tax		176,827	374,428
Income tax expense	9	<u>(19,696)</u>	<u>(16,670)</u>
Profit attributable to equity holders of the Company		<u>157,131</u>	<u>357,758</u>
Earnings per share (basic and diluted)	10	<u>HK\$4.46</u>	<u>HK\$9.02</u>
Dividends	11	<u>35,262</u>	<u>42,314</u>

The notes on pages 37 to 103 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F

C O M P R E H E N S I V E I N C O M E

For the Year ended 31 December 2015

	2015	2014
	HK\$'000	HK\$'000
Profit for the year	157,131	357,758
	-----	-----
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Fair value losses on available-for-sale financial assets	(195,887)	(61,395)
Currency translation differences	(10,697)	(5,524)
Release of exchange reserve upon return of capital from a joint venture	-	(24,435)
	-----	-----
Other comprehensive loss for the year, net of tax	(206,584)	(91,354)
	-----	-----
Total comprehensive (loss)/income attributable to equity holders of the Company	(49,453)	266,404
	-----	-----

The notes on pages 37 to 103 are an integral part of these financial statements.

C O N S O L I D A T E D B A L A N C E

S H E E T

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	798	1,033
Investment properties	13	2,031,370	1,945,200
Investments in joint ventures	14	104,919	104,736
Investment in an associate	15	75,261	75,412
Available-for-sale financial assets	17	1,169,115	1,366,156
Deferred income tax assets	26	442	593
		3,381,905	3,493,130
		3,381,905	3,493,130
Current assets			
Trade and other receivables	18	9,797	22,811
Financial assets at fair value through profit or loss	19	243,447	246,963
Tax Recoverable		2	594
Cash and bank balances			
– Pledged bank deposits	20	38,416	35,831
– Cash and cash equivalents	20	44,696	47,511
		336,358	353,710
		336,358	353,710
Total assets		3,718,263	3,846,840
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	3,526	3,526
Other reserves	22	974,873	1,181,008
Retained profits	22	2,605,730	2,491,362
		3,584,129	3,675,896
Total equity		3,584,129	3,675,896

C O N S O L I D A T E D B A L A N C E

S H E E T *(cont'd)*

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	26	20,973	19,819
Current liabilities			
Trade and other payables	23	54,453	52,549
Current income tax liabilities		1,415	93
Short term bank loans – secured	24	57,000	98,483
Derivative financial liability	25	293	–
		113,161	151,125
Total liabilities		134,134	170,944
Total equity and liabilities		3,718,263	3,846,840
Net current assets		223,197	202,585
Total assets less current liabilities		3,605,102	3,695,715

The notes on pages 37 to 103 are an integral part of these financial statements.

The financial statements on pages 31 to 103 were approved by the Board of Directors on 17 March 2016 and were signed on its behalf.

Hung Ching Yung
Director

Lincoln C. K. Yung
Director

C O N S O L I D A T E D S T A T E M E N T O F

C H A N G E S I N E Q U I T Y

For the Year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Balance at 1 January		3,675,896	3,647,253
Comprehensive income:			
Profit for the year		157,131	357,758
Other comprehensive income:			
Fair value losses on available-for-sale financial assets	22	(195,887)	(61,395)
Currency translation differences	22	(10,697)	(5,524)
Release of exchange reserve upon return of capital from a joint venture	22	–	(24,435)
Total other comprehensive income, net of tax		(206,584)	(91,354)
Total comprehensive income		(49,453)	266,404
Transactions with owners:			
Final dividend relating to 2014/2013	22	(21,157)	(16,451)
Special dividend	22	(21,157)	(20,564)
Shares repurchased and cancelled		–	(200,746)
Total transactions with owners		(42,314)	(237,761)
Balance at 31 December		3,584,129	3,675,896

The notes on pages 37 to 103 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operations			
Net cash generated from operations	27(a)	39,631	29,107
Interest paid		(822)	(434)
Income tax paid		(1,098)	(3,398)
		37,711	25,275
Cash flows from investing activities			
Proceeds from sales of available-for-sale financial assets		101	450
Purchase of plant and equipment and investment properties		(348)	(1,353)
Dividends received from available-for-sale financial assets	27(b)	41,270	47,496
Dividend received from joint ventures	27(b)	3,341	146,544
Return of capital from a joint venture		1,507	76,935
Investment in an associate		–	(75,412)
		45,871	194,660
Cash flows from financing activities			
Repurchase of own shares		–	(200,746)
Dividends paid		(42,314)	(37,015)
Increase in pledged bank deposits		(2,585)	(35,831)
(Repayment)/draw down of bank loan		(41,483)	45,483
		(86,382)	(228,109)
Net decrease in cash and cash equivalents		(2,800)	(8,174)
Cash and cash equivalents at 1 January		47,511	55,759
Currency translation difference		(15)	(74)
		44,696	47,511
Cash and cash equivalents at 31 December	20	44,696	47,511

The notes on pages 37 to 103 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Nanyang Holdings Limited is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is 1808 St George's Building, 2 Ice House Street, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together the "Group") engage in property investment and investment holding and trading.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2016.

2 Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair values.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) New interpretation and amendments to standards that are effective in 2015 and are relevant to the Group's operations

During the year ended 31 December 2015, the Group has adopted the following new interpretation and amendments to standards which are mandatory for accounting periods beginning on 1 January 2015:

HKAS 19 (Amendment)	Defined benefit plans: employee contributions
Annual improvements project	Annual improvements 2012
Annual improvements project	Annual improvements 2013

The adoption of these new interpretation and amendments to standards does not have significant change to the accounting policies or any significant effect on the results and financial position of the Group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(c) New and revised standards and amendments to standards that are not yet effective and have not been early adopted by the Group

The following new and revised standards and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual Improvements Project	Annual Improvements 2014	1 January 2016
HKAS 1 (Amendments)	Disclosure initiative	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(c) New and revised standards and amendments to standards that are not yet effective and have not been early adopted by the Group *(cont'd)*

The Group has not early adopted the above new and revised standards and amendments to standards in the financial statements for the year ended 31 December 2015. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

2.2 Subsidiaries

(a) Consolidation

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

(i) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.2 Subsidiaries *(cont'd)*

(a) **Consolidation** *(cont'd)*

(i) **Business combinations** *(cont'd)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.2 Subsidiaries *(cont'd)*

(a) **Consolidation** *(cont'd)*

(ii) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) **Disposal of subsidiaries**

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The existence of significant influence is also usually evidenced by the representation on the board of directors or equivalent governing body of the entity, and participation in policy-making processes. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.4 Associates *(cont'd)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business prospective.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or expense'. All other foreign exchange gains and losses are presented in the income statement within 'other operating expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.6 Foreign currency translation *(cont'd)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.7 Property, plant and equipment *(cont'd)*

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 35 years or useful life
Buildings	25 years
Others	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.8 Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the income statement as changes in fair value of investment properties.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the balance sheet (Note 2.12).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.10 Financial assets *(cont'd)*

2.10.1 Classification *(cont'd)*

(c) Available-for-sale financial assets

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

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement as gains and losses on financial assets through profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as gains and losses on financial assets through profit or loss when the group's right to receive payment is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from available-for-sale financial assets'.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.10 Financial assets *(cont'd)*

2.10.3 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.10 Financial assets *(cont'd)*

2.10.3 Impairment of financial assets *(cont'd)*

(b) Assets classified as available-for-sale

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

2.10.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss, changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised in the income statement within other operating income/expenses.

2.12 Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts, if any. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.15 Current and deferred income tax *(cont'd)*

(b) Deferred income tax *(cont'd)*

Inside basis differences *(cont'd)*

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.16 Employee benefits

(a) Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.17 Provisions *(cont'd)*

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

2.18 Revenue recognition

(a) Realised and unrealised gains and losses on investments

Realised gains and losses on investments are recognised on conclusion of sales contracts. Unrealised gains and losses on investments are recognised on the basis set out in Note 2.9.

(b) Rental and management fee income

Rental and management fee income on operating leases are recognised on a straight line basis over the lease periods.

(c) Dividend income

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

(d) Interest income

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

(e) Commission income

Commission income is recognised when services are rendered.

2.19 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight line basis over the period of the lease.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Significant accounting policies *(cont'd)*

2.20 Borrowings *(cont'd)*

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

3 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including equity price risk, currency risk and interest rate risk), credit and counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Equity price risk

The Group's equity securities are exposed to price risk including currency translation difference as they are classified either as available-for-sale financial assets or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended 31 December 2015 would have been HK\$8,722,000 (2014: HK\$9,488,000) higher/lower.

The Group's available-for-sale financial assets are mainly equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK\$58,456,000 (2014: HK\$68,308,000) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(ii) **Foreign currency risk**

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide, primarily with respect to Euro and Japanese Yen. The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

At 31 December 2015, had the HK dollar weakened/strengthened by 5% against the Euro with all other variables held constant, the post-tax profit for the year ended 31 December 2015 would have been HK\$1,115,000 (2014: HK\$1,233,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss and short term bank loan.

At 31 December 2015, had the HK dollar weakened/strengthened by 5% against the Japanese yen with all other variables held constant, the post-tax profit for the year ended 31 December 2015 would have been HK\$406,000 (2014: HK\$323,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

(iii) **Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities.

The Group's borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2015 and 2014, the Group's borrowings were denominated in HK dollars.

The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2015 would have been HK\$570,000 (2014: HK\$985,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit and counterparty risk

The credit and counterparty risk mainly arises from debt securities, deposits and cash and investments placed with banks and financial institutions and derivative financial instruments transacted with banks. The Group has limited its credit exposure by restricting their selection to financial institutions or banks with good credit rating, ranged from A to AA-.

The Group's credit risk concentration of debt securities as at 31 December 2015 and 2014 is analysed below based upon the credit rating of the issuers:

	2015 HK\$'000	2014 HK\$'000
A to AAA	22,124	10,031
B to BBB	22,549	21,263
Unrated (Note)	19,064	21,258
	63,737	52,552

Note:

The Directors monitor the exposure on unrated assets and considered that the risk of default is minimal.

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has obtained banking facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) **Liquidity risk** *(cont'd)*

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At 31 December 2015			
Short term bank loans and interest thereon	57,496	–	–
Trade payables	2,977	–	–
Rental and management fee deposits	7,783	3,739	5,370
Other payables and accruals (less provisions)	22,773	–	–
Derivative financial liability	293	–	–
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2014			
Short term bank loans and interest thereon	99,241	–	–
Trade payables	2,402	–	–
Rental and management fee deposits	5,497	8,006	1,455
Other payables and accruals (less provisions)	23,449	–	–
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.2 Capital risk management

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

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

During 2015 and 2014, the Group's strategy was to maintain borrowings at a low level.

As at 31 December 2015 and 2014, the debt to equity ratio is summarised as follows:

	2015 HK\$'000	2014 HK\$'000
Total borrowings (Note 24)	57,000	98,483
Total equity	3,584,129	3,675,896
Debt to equity ratio	1.6%	2.7%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015. See Note 13 for disclosures of the investment properties that are measured at fair value.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss	243,447	–	–	243,447
Available-for-sale financial assets	1,169,115	–	–	1,169,115
Total assets	1,412,562	–	–	1,412,562
Liabilities				
Derivative financial liability	–	293	–	293

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss	246,963	–	–	246,963
Available-for-sale financial assets	1,366,156	–	–	1,366,156
Total assets	1,613,119	–	–	1,613,119

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between any level during the year.

4 Critical accounting estimates and judgments

4.1 Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31 December 2015 by an independent professional property valuer, Prudential Surveyors International Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties. Details of the judgement and assumptions have been disclosed in Note 13.

4.2 Classification and estimate of fair value of non listed available-for-sale financial assets

In connection with the Group's investment in The Shanghai Commercial & Savings Bank, Ltd ("SCSB"), certain Directors of the Company are also directors of SCSB. Their appointment as directors of SCSB was not nominated by the Group and does not represent the Group's interest. Accordingly, the Group does not have significant influence in SCSB and the investments in SCSB are classified an available-for-sale financial asset.

The fair value of non listed available-for-sale financial assets is determined by the quoted bid price in the over-the-counter market. The Group considers this price represents actual and regularly occurring market transactions on an arm's length basis and reflect the fair value of the investment.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and income and segment information *(cont'd)*

The segment results for the year ended 31 December 2015 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and income	71,543	53,566	125,109
Segment result	112,456	47,939	160,395
Finance income/(expense), net			1,536
Share of profits of joint ventures	10,331	–	10,331
Share of profits of an associate	4,565	–	4,565
Profit before income tax			176,827
Income tax expense			(19,696)
Profit attributable to equity holders of the Company			157,131
Other items			
Depreciation	113	157	270
Fair value gain on investment properties	85,857	–	85,857

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and income and segment information *(cont'd)*

The segment results for the year ended 31 December 2014 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and income	68,460	68,686	137,146
Segment result	225,689	58,171	283,860
Finance expense			(434)
Share of profits of joint ventures	91,002	–	91,002
Profit before income tax			374,428
Income tax expense			(16,670)
Profit attributable to equity holders of the Company			357,758
Other items			
Depreciation	84	159	243
Fair value gain on investment properties	201,783	–	201,783

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude investments in joint ventures, investment in an associate and deferred income tax assets, and segment liabilities exclude deferred income tax liabilities and short term bank loans which are managed on a central basis.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and income and segment information *(cont'd)*

The segment assets and liabilities as at 31 December 2015 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,032,654	1,504,987	3,537,641
Investments in joint ventures	104,919	–	104,919
Investment in an associate	75,261	–	75,261
Unallocated assets			442
			<u>3,718,263</u>
Segment liabilities	47,526	8,635	56,161
Unallocated liabilities			77,973
			<u>134,134</u>

The segment assets and liabilities as at 31 December 2014 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	1,946,384	1,719,715	3,666,099
Investments in joint ventures	104,736	–	104,736
Investment in an associate	75,412	–	75,412
Unallocated assets			593
			<u>3,846,840</u>
Segment liabilities	44,191	8,451	52,642
Unallocated liabilities			118,302
			<u>170,944</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

5 Revenue and income and segment information *(cont'd)*

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue and income from Hong Kong and from other countries for the year ended 31 December is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Hong Kong	69,766	74,514
United States of America	(596)	11,073
Europe	(255)	(6,143)
Taiwan	56,277	57,952
Other countries	(83)	(250)
	<u>125,109</u>	<u>137,146</u>

At 31 December 2015, the total of non-current assets other than financial instruments and deferred income tax assets located/operated in Hong Kong and in Mainland China are as follows:

	2015 HK\$'000	2014 HK\$'000
Hong Kong	2,031,809	1,945,721
Mainland China	180,539	180,660
	<u>2,212,348</u>	<u>2,126,381</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

6 Expenses by nature

	2015	2014
	HK\$'000	HK\$'000
Auditor's remuneration	1,320	1,249
Depreciation	270	243
Direct operating expenses arising from investment properties that		
– generated rental income	2,163	1,822
– did not generate rental income	132	136
Employee benefit expense (including directors' emoluments) (Note 7)	25,433	31,870
Management fee expense in respect of investment properties	11,012	10,200
Operating lease payments on land and buildings	3,699	3,699
Legal and professional fee	1,017	934
Exchange losses	237	678
Unrealised fair value loss on derivative financial instruments	293	–
Other	4,995	4,238
	50,571	55,069

7 Employee benefit expense

	2015	2014
	HK\$'000	HK\$'000
Wages and salaries	24,989	31,428
Retirement benefit costs – defined contribution plans (Note a)	444	442
	25,433	31,870

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

Notes:

(a) Retirement scheme – defined contribution plans

The Group contributes to a defined contribution retirement scheme which is available to certain Hong Kong senior employees (“Senior Staff Scheme”). With effect from 1 December 2000, a mandatory provident fund scheme has been set up for the other eligible employees of the Group in Hong Kong. Contributions to the schemes by the Group are made at a certain percentage of basic monthly salary. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions to the Senior Staff Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There was no contribution forfeited during the year (2014: Nil). Contributions totaling HK\$30,000 (2014: HK\$32,000) were payable to the schemes at the year end, which are included in trade and other payables.

(b) Directors’ and senior management’s emoluments

The remuneration of every Director for the year ended 31 December 2015 is set out below:

Name of Director	Fees HK\$’000	Salaries HK\$’000	Discretionary bonuses HK\$’000	Housing allowances HK\$’000	Other benefits [#] HK\$’000	Employer’s contributions to retirement scheme HK\$’000	Total HK\$’000
Mr. Rudolf Bischof	420	-	-	-	-	-	420
Mr. Hung Ching Yung	24	4,953	2,000	289	198	18	7,482
Mr. Lincoln C. K. Yung	24	4,953	2,000	112	125	18	7,232
Mr. James Julius Bertram (Note i)	180	-	-	-	-	-	180
Mr. Robert Tsai To Sze	420	-	-	-	-	-	420
Mr. John Con-sing Yung	180	-	-	-	-	-	180
Mr. Kwan Wing Kwong Zachary (Note ii)	119	-	-	-	-	-	119
Ms. Jennie Chen	24	1,768	476	-	-	245	2,513
Total	1,391	11,674	4,476	401	323	281	18,546

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

(b) Directors' and senior management's emoluments *(cont'd)*

The remuneration of every Director for the year ended 31 December 2014 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowances HK\$'000	Other benefits * HK\$'000	Employer's contributions to retirement scheme HK\$'000	Total HK\$'000
Mr. Rudolf Bischof	420	-	-	-	-	-	420
Mr. Hung Ching Yung	24	4,953	4,000	294	132	17	9,420
Mr. Lincoln C. K. Yung	24	4,953	4,000	113	159	17	9,266
Mr. James Julius Bertram	360	-	-	-	-	-	360
Mr. Robert Tsai To Sze	420	-	-	-	-	-	420
Mr. John Con-sing Yung	180	-	-	-	-	-	180
Ms. Jennie Chen	24	1,768	2,476	-	-	245	4,513
Total	1,452	11,674	10,476	407	291	279	24,579

* Other benefits represent medical expenses and motor vehicle expenses.

Notes:

(i) Mr. James Julius Bertram was passed away on 18 June 2015.

(ii) Mr. Kwan Wing Kwong Zachary was appointed on 2 September 2015.

(c) Five highest paid individuals

The five highest paid individuals in the Group include 3 (2014: 3) Directors whose emoluments are reflected in the analysis presented in Note 7(b) above. The emoluments payable to the remaining individuals during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, housing and other allowances and benefits in kind	2,932	2,928
Contributions to retirement scheme	36	34
	2,968	2,962

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

8 Finance income/(expense), net

	2015	2014
	HK\$'000	HK\$'000
Interest expense on bank loan	(822)	(434)
Net exchange gain on financial activities	2,358	–
	1,536	(434)

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Withholding tax on dividends receivable from overseas investments including joint ventures and an associate has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

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

	2015	2014
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	3,215	1,877
– Withholding tax	15,379	13,765
– Over provision in prior years	(203)	(10)
	18,391	15,632
Deferred income tax (Note 26)	1,305	1,038
	19,696	16,670

The Group's share of income tax expense of joint ventures and an associate for the year amounted to HK\$6,457,000 (2014: HK\$14,323,000) and is included in the consolidated income statement as share of profits of joint ventures and an associate.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

9 Income tax expense *(cont'd)*

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

	2015	2014
	HK\$'000	HK\$'000
Profit before income tax	176,827	374,428
Less: Share of profits of joint ventures	(10,331)	(91,002)
Share of profit of an associate	(4,565)	–
	161,931	283,426
Calculated at a tax rate of 16.5% (2014: 16.5%)	26,719	46,765
Income not subject to tax	(24,082)	(44,926)
Expenses not deductible for tax purposes	1,892	1,431
Over provision for current income tax in prior years	(203)	(10)
Effect of unrecognised temporary differences	(4)	(20)
Utilisation of previously unrecognised tax losses	(5)	(126)
Withholding tax on dividend income from overseas investments and undistributable profits from joint ventures	15,379	13,765
Recognition of previously unrecognised tax losses	–	(209)
	19,696	16,670
Income tax expense		

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	157,131	357,758
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	35,262	39,681
Earnings per share (HK\$)		
Basic and diluted (Note)	4.46	9.02

Note:

The Company has no dilutive potential ordinary shares and basic earnings per share are equal to diluted earnings per share.

11 Dividends

	2015	2014
	HK\$'000	HK\$'000
2015 proposed final dividend of HK\$0.60 (2014: HK\$0.60) per share	21,157	21,157
2015 proposed special dividend of HK\$0.40 (2014: HK\$0.60) per share	14,105	21,157
	<u>35,262</u>	<u>42,314</u>

At a meeting held on 17 March 2016 the Directors proposed a final dividend of HK\$0.60 per share and a special dividend of HK\$0.40 per share representing a total dividend distribution of approximately HK\$35.3 million. These proposed dividends are to be approved by the shareholders at the Annual General Meeting on 27 May 2016 and are not reflected as dividends payable in these financial statements.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

12 Property, plant and equipment

	Properties HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2015			
Opening net book amount	723	310	1,033
Addition	–	35	35
Depreciation	(187)	(83)	(270)
	<u>536</u>	<u>262</u>	<u>798</u>
Closing net book amount	<u>536</u>	<u>262</u>	<u>798</u>
At 31 December 2015			
Cost	6,089	2,422	8,511
Accumulated depreciation and impairment losses	(5,553)	(2,160)	(7,713)
	<u>536</u>	<u>262</u>	<u>798</u>
Net book amount	<u>536</u>	<u>262</u>	<u>798</u>
Year ended 31 December 2014			
Opening net book amount	911	229	1,140
Addition	–	136	136
Depreciation	(188)	(55)	(243)
	<u>723</u>	<u>310</u>	<u>1,033</u>
Closing net book amount	<u>723</u>	<u>310</u>	<u>1,033</u>
At 31 December 2014			
Cost	6,089	2,411	8,500
Accumulated depreciation and impairment losses	(5,366)	(2,101)	(7,467)
	<u>723</u>	<u>310</u>	<u>1,033</u>
Net book amount	<u>723</u>	<u>310</u>	<u>1,033</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

13 Investment properties

	2015 HK\$'000	2014 HK\$'000
At fair value		
Opening balance at 1 January	1,945,200	1,742,200
Additions	313	1,217
Fair value changes	85,857	201,783
	2,031,370	1,945,200
Closing balance at 31 December	2,031,370	1,945,200

The Group's investment properties with an aggregate carrying value of HK\$1,892,000,000 (2014: HK\$1,823,000,000) have been mortgaged to a bank to secure general banking facilities of which HK\$40,000,000 (2014: HK\$75,000,000) was utilised as at 31 December 2015 (Note 24).

The Group's investment properties are held in Hong Kong on leases of between 10 and 75 years.

Valuation processes of the Group

The basis of the valuation of investment properties is fair value being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The investment properties were revalued by Prudential Surveyors International Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2015. For all investment properties, their current use equates to the highest and best use.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

13 Investment properties *(cont'd)*

Valuation processes of the Group *(cont'd)*

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed industrial and commercial properties in Hong Kong are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

As at 31 December 2015, all investment properties are included in level 3 fair value hierarchy.

There were no change to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

Significant inputs used to determine fair value

Capitalisation rates are estimated by valuer based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for Hong Kong investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

At 31 December 2015, capitalisation rates of 2.1% to 5.0% and market rent of HK\$12.0 to HK\$25.7 per square feet are used in the income capitalisation method for Hong Kong completed industrial and commercial properties.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

14 Investments in joint ventures

	2015 HK\$'000	2014 HK\$'000
Share of net assets	104,919	104,736

The following is a list of the principal joint ventures indirectly held by the Company as at 31 December 2015:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Attributable interest to the Group		
			Equity interest	Profit sharing	Voting power
Shanghai Sung Nan Textile Co., Ltd (Note a)	People's Republic of China, limited liability company	Property investment in the People's Republic of China	64.68%	64.68%	57%
Southern Textile Company Limited	People's Republic of China, limited liability company	Property investment in the People's Republic of China	45%	45%	43%

Notes:

- (a) Since unanimous consent of all the parties sharing control is required for resolution of important strategic decisions including financial and operating, the investment was classified as joint venture even though the Group has a 57% voting interest.
- (b) All companies above are private and there is no quoted price available for their shares.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

14 Investments in joint ventures *(cont'd)*

The following amounts represent the Group's aggregate share of the assets and liabilities, and results of the joint ventures:

	2015 HK\$'000	2014 HK\$'000
Assets		
Investment properties	118,601	125,433
Other non-current assets	4,504	6,580
Current assets	14,172	19,954
	137,277	151,967
	137,277	151,967
Liabilities		
Non-current liabilities	(18,248)	(20,971)
Current liabilities	(13,115)	(26,260)
	(31,363)	(47,231)
	(31,363)	(47,231)
Net assets	105,914	104,736
Revenue	29,010	84,588
Change in fair value of investment properties	(2,013)	(1,179)
Gain on disposal of a subsidiary	–	74,795
Profit after income tax	10,331	91,002

There are no commitment and contingent liabilities relating to the Group's investments in its joint ventures.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

15 Investment in an associate

	2015 HK\$'000	2014 HK\$'000
Share of net assets	73,916	74,067
Costs directly attributable for the investment	1,345	1,345
	75,261	75,412

The following is a list of the principal associates indirectly held by the Company as at 31 December 2015:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Equity interest
HSL China Metropolitan Fund I L.P. ("HSL") (Note b)	Cayman Islands, limited partnership	Investment holding in the People's Republic of China	16.7%
Ruskin Overseas Limited ("Ruskin")	British Virgin Islands, limited liability company	Investment holding in the People's Republic of China	16.7%
Kinetic Profit Property (Shanghai) Company Limited ("Kinetic")	People's Republic of China, limited liability company	Property investment in the People's Republic of China	16.7%

Notes:

- (a) All companies above are private and there is no quoted price available for their shares.
- (b) The Group holds less than 20 per cent of the equity interest of HSL, it accounts for its investment in HSL as an associate as it has the ability to exercise significant influence over the investment due to its representation on key decision-making committees.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

15 Investment in an associate *(cont'd)*

The following amounts represent the Group's aggregate share of the assets and liabilities, and results of the associate:

	2015 HK\$'000	2014 HK\$'000
Assets		
Investment properties	160,984	149,587
Other non-current assets	43,254	–
Current assets	26,205	1,121
	230,443	150,708
Liabilities		
Bank borrowings	(99,115)	(76,641)
Other non-current liabilities	(47,452)	–
Other current liabilities	(9,960)	–
	(156,527)	(76,641)
Net assets	73,916	74,067
Revenue	7,086	–
Change in fair value of investment properties	16,356	–
Profit after income tax	4,565	–

There are no contingent liabilities relating to the Group's investment in its associate.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

16 Financial instruments by category

	Loans and receivables HK\$'000	Assets at fair value through profit and loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
31 December 2015				
Assets as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,169,115	1,169,115
Financial assets at fair value through profit or loss	–	243,447	–	243,447
Trade and other receivables (excluding deposits and prepayments)	1,064	–	–	1,064
Cash and cash equivalents	44,696	–	–	44,696
Pledged bank deposits	38,416	–	–	38,416
	<u>84,176</u>	<u>243,447</u>	<u>1,169,115</u>	<u>1,496,738</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

16 Financial instruments by category *(cont'd)*

	Loans and receivables HK\$'000	Assets at fair value through profit and loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
31 December 2014				
Assets as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,366,156	1,366,156
Financial assets at fair value through profit or loss	–	246,963	–	246,963
Trade and other receivables (excluding deposits and prepayments)	14,439	–	–	14,439
Cash and cash equivalents	47,511	–	–	47,511
Pledged bank deposits	35,831	–	–	35,831
	<u>97,781</u>	<u>246,963</u>	<u>1,366,156</u>	<u>1,710,900</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

16 Financial instruments by category *(cont'd)*

	Derivatives HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
31 December 2015			
Liabilities as per consolidated balance sheet			
Short term bank loans	–	57,000	57,000
Trade and other payables (excluding provisions, rental and management fee deposits)	–	25,750	25,750
Derivative financial liabilities	293	–	293
	<u>293</u>	<u>82,750</u>	<u>83,043</u>
			Financial liabilities at amortised cost HK\$'000

31 December 2014
Liabilities as per consolidated balance sheet

Short term bank loans			98,483
Trade and other payables (excluding provisions, rental and management fee deposits)			<u>25,851</u>
			<u>124,334</u>

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

17 Available-for-sale financial assets

	2015 HK\$'000	2014 HK\$'000
At 1 January	1,366,156	1,431,326
Disposals	(101)	(450)
Exchange losses	(1,053)	(3,325)
Net fair value losses recognised in equity	(195,887)	(61,395)
	1,169,115	1,366,156
	2015 HK\$'000	2014 HK\$'000
Listed equity securities – Hong Kong	9,034	9,395
Unlisted securities		
– Equity securities	1,159,696	1,356,230
– Venture capital funds	385	531
	1,160,081	1,356,761
	1,169,115	1,366,156

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

17 Available-for-sale financial assets *(cont'd)*

The available-for-sale financial assets are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
New Taiwan dollars	1,159,696	1,356,230
Others	9,419	9,926
	1,169,115	1,366,156

At 31 December 2015, available-for-sale financial assets of HK\$697,000 (2014: HK\$697,000) were impaired and fully provided for.

At 31 December 2015, the carrying amount of interests in the following company exceed 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Group equity interest
The Shanghai Commercial & Savings Bank, Ltd.	Taiwan	Commercial banking business	3,999,120,725 ordinary shares of NT\$10 each	4.0%

The fair value of all securities is based on their current bid prices in an active market.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

18 Trade and other receivables

	2015	2014
	HK\$'000	HK\$'000
Trade receivables (Note c)	89	82
Other receivables, prepayments and deposits	7,588	7,398
Amount due from joint ventures (Note a)	2,120	15,331
	9,797	22,811

Notes:

- (a) The amounts due from joint ventures are unsecured, interest free and repayable on demand.
- (b) The carrying amounts of trade and other receivables approximate their fair values.
- (c) The Group does not grant any credit term to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31 December 2015, the aging analysis of the trade receivables is as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 30 days	48	82
31–60 days	41	–
	89	82

There is no concentration of credit risk with respect to trade receivables.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

19 Financial assets at fair value through profit or loss

	2015 HK\$'000	2014 HK\$'000
Listed equity securities:		
– Hong Kong	32,052	28,142
– outside Hong Kong	63,737	166,269
	95,789	194,411
Listed debt securities outside Hong Kong	147,658	52,552
	243,447	246,963

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows (Note 27).

Changes in fair values of financial assets at fair value through profit or loss are recorded in revenue and income in the consolidated income statement (Note 5).

The fair value of all equity securities is based on their current bid prices in an active market.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

19 Financial assets at fair value through profit or loss *(cont'd)*

The Group's financial assets at fair value through profit or loss with an aggregate carrying value of HK\$83,012,000 (2014: HK\$88,596,000) together with the bank deposit (Note 20(a)) have been pledged to secure general banking facilities of which HK\$17,000,000 (2014: HK\$23,483,000) was utilised as at 31 December 2015 (Note 24).

The financial assets at fair value through profit or loss are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Euro	39,304	48,140
Japanese yen	8,112	6,464
Hong Kong dollars	32,052	28,141
United States dollars	162,860	163,107
Others	1,119	1,111
	243,447	246,963

20 Cash and bank balances

	2015 HK\$'000	2014 HK\$'000
Cash at bank and on hand	83,112	83,342
Less: pledged bank deposits (Note a)	(38,416)	(35,831)
	44,696	47,511

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

20 Cash and bank balances *(cont'd)*

Notes:

- (a) The bank deposits with value of HK\$38,416,000 (2014: HK\$35,831,000) has been pledged to secure general banking facilities.
- (b) The carrying amounts of cash and cash equivalents are mainly denominated in United States dollars and Hong Kong dollars.
- (c) Maximum exposure to credit risk is HK\$83,112,000 (2014: HK\$83,342,000).

21 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 31 December 2014 and 31 December 2015	<u>60,000,000</u>	<u>6,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
At 31 December 2014 and 31 December 2015	<u>35,261,738</u>	<u>3,526</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

22 Reserves

	Contributed surplus HK\$'000	Available-for-sale investments reserves HK\$'000	Property revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory and other reserves HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 January 2015	2,459	1,020,953	56,175	1,000	76,000	15,084	7,863	1,474	2,491,362	3,672,370
Fair value losses on available-for-sale investments	-	(195,887)	-	-	-	-	-	-	-	(195,887)
Currency translation differences	-	-	-	-	-	-	(10,697)	-	-	(10,697)
2014 final dividend	-	-	-	-	-	-	-	-	(21,157)	(21,157)
2014 special dividend	-	-	-	-	-	-	-	-	(21,157)	(21,157)
Profit for the year	-	-	-	-	-	-	-	-	157,131	157,131
Transfer to statutory reserves of a joint venture	-	-	-	-	-	449	-	-	(449)	-
At 31 December 2015	2,459	825,066	56,175	1,000	76,000	15,533	(2,834)	1,474	2,605,730	3,580,603

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

22 Reserves *(cont'd)*

	Contributed surplus HK\$'000	Available- for-sale investments reserves HK\$'000	Property revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory and other reserves HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 January 2014	2,459	1,082,348	56,175	1,000	76,000	14,638	37,822	887	2,371,811	3,643,140
Fair value gains on available-for-sale investments	-	(61,395)	-	-	-	-	-	-	-	(61,395)
Currency translation differences	-	-	-	-	-	-	(5,524)	-	-	(5,524)
Release of exchange reserve upon return of capital from a joint venture	-	-	-	-	-	-	(24,435)	-	-	(24,435)
Shares repurchased and cancelled - shares repurchased	-	-	-	-	-	-	-	587	(193,580)	(192,993)
- professional cost involved	-	-	-	-	-	-	-	-	(7,166)	(7,166)
2013 final dividend	-	-	-	-	-	-	-	-	(16,451)	(16,451)
2013 special dividend	-	-	-	-	-	-	-	-	(20,564)	(20,564)
Profit for the year	-	-	-	-	-	-	-	-	357,758	357,758
Transfer to statutory reserves of a joint venture	-	-	-	-	-	446	-	-	(446)	-
At 31 December 2014	2,459	1,020,953	56,175	1,000	76,000	15,084	7,863	1,474	2,491,362	3,672,370

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

22 Reserves *(cont'd)*

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited (“NCML”) in exchange for the Company’s new shares issued. The Group’s contributed surplus represents the difference between the nominal value of NCML’s shares and the nominal value of the Company’s shares issued pursuant to the group reorganisation less subsequent distribution. The Company’s contributed surplus represents the difference between the nominal value of the Company’s shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

Statutory reserves are created in accordance with the terms of the joint venture agreements of the joint ventures established in the People’s Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31 December 2015 comprise statutory surplus reserve of HK\$7,766,500 (2014: HK\$7,542,000) and enterprise development reserve of HK\$7,766,500 (2014: HK\$7,542,000) which are appropriated from the retained profits of the joint ventures.

General reserve arose from transfers from retained profits and has no specific purpose.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

23 Trade and other payables

	2015	2014
	HK\$'000	HK\$'000
Trade payables (Note a)	2,977	2,402
Rental and management fee deposits	16,892	14,958
Other payables and accruals	34,584	35,189
	54,453	52,549

Notes:

(a) As 31 December 2015, the aging analysis of the trade payables is as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 30 days	2,637	2,062
31–60 days	340	340
	2,977	2,402

(b) The carrying amounts of trade and other payables approximate their fair values.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

24 Short term bank loans

	2015 HK\$'000	2014 HK\$'000
Secured bank loans (Note)	57,000	98,483

Notes:

- (a) The loans had an effective interest rate of 0.87% (2014: 0.88%) per annum at 31 December 2015.
- (b) The carrying amounts of the loans approximated their fair values.
- (c) At 31 December 2015, the secured bank loans were secured by one or more of the following:
 - (i) Investment properties of the Group (Note 13);
 - (ii) pledge of financial assets at fair value through profit and loss (Note 19);
 - (iii) pledge of bank deposits (Note 20);
- (d) The loans were denominated in below currencies.

	2015 HK\$'000	2014 HK\$'000
Hong Kong Dollar	40,000	75,000
Euro	17,000	23,483
	57,000	98,483

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

25 Derivative financial liabilities

	2015	2014
	HK\$'000	HK\$'000
Forward exchange contracts	293	–
	293	–

The maximum exposure to credit risk at the reporting date is the carrying value of the derivative financial liabilities in the consolidated balance sheet.

26 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2014: 16.5%).

	2015	2014
	HK\$'000	HK\$'000
Deferred income tax assets		
– to be recovered after more than 12 months	–	–
– to be recovered within 12 months	442	593
	442	593
	442	593
Deferred income tax liabilities		
– to be settled after more than 12 months	(19,819)	(18,572)
– to be settled within 12 months	(1,154)	(1,247)
	(20,973)	(19,819)
	(20,973)	(19,819)
	(20,531)	(19,226)

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

26 Deferred income tax *(cont'd)*

The gross movement on the deferred income tax account is as follows:

	2015 HK\$'000	2014 HK\$'000
Balance at 1 January	(19,226)	(18,188)
Tax charged to the consolidated income statement (Note 9)	(1,305)	(1,038)
	(20,531)	(19,226)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation HK\$'000
At 1 January 2014	(18,572)
Charged to the consolidated income statement	(1,247)
	(19,819)
At 31 December 2014 and 1 January 2015	(19,819)
Charged to the consolidated income statement	(1,154)
	(20,973)

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

26 Deferred income tax *(cont'd)*

Deferred income tax assets:

	Tax losses HK\$'000
At 1 January 2014	384
Credited to the consolidated income statement	<u>209</u>
At 31 December 2014 and 1 January 2015	593
Charged to the consolidated income statement	<u>(151)</u>
At 31 December 2015	<u><u>442</u></u>

Deferred income tax assets are recognised for tax losses carried forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of HK\$983,000 (2014: HK\$987,000) in respect of tax losses amounting to HK\$5,955,000 (2014: HK\$5,983,000). These tax losses have no expiry date.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

27 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	2015	2014
	HK\$'000	HK\$'000
Profit before income tax	176,827	374,428
Share of profits of joint ventures	(10,331)	(91,002)
Share of profit of an associate	(4,565)	–
Finance expense	822	434
Dividend income from available-for-sale financial assets	(56,277)	(57,952)
Exchange translation differences	15	93
Depreciation	270	243
Changes in fair value of investment properties	(85,857)	(201,783)
	<hr/>	<hr/>
Operating profit before working capital changes	20,904	24,461
Decrease/(increase) in trade and other receivables	13,014	(2,917)
Decrease in financial assets at fair value through profit or loss	3,516	6,153
Increase in trade and other payables	1,904	1,410
Increase in derivative financial liabilities	293	–
	<hr/>	<hr/>
Net cash generated from operations	<u>39,631</u>	<u>29,107</u>

(b) Dividends received from joint venture and available-for-sale financial assets:

	2015	2014
	HK\$'000	HK\$'000
Dividends received	59,990	207,805
Withholding tax paid	(15,379)	(13,765)
	<hr/>	<hr/>
	<u>44,611</u>	<u>194,040</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

28 Operating leases commitments

At 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises as follows:

	2015 HK\$'000	2014 HK\$'000
Not later than one year	394	3,153
Later than one year and not later than five years	–	394
	394	3,547

29 Future rental receivables

At 31 December, minimum lease rentals under non-cancellable operating leases of the investment properties not recognised in the financial statements as receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	45,004	47,960
Later than one year but not later than 5 years	34,978	32,359
	79,982	80,319

30 Related party transactions

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

Key management compensation

	2015 HK\$'000	2014 HK\$'000
Salaries and other short term employee benefits	158,861	24,836
Contributions to retirement schemes	299	295
	159,160	25,131

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

31 Balance sheet and reserve movement of the Company

	As at 31 December 2015 HK\$'000	2014 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	378,782	378,782
Current assets		
Trade and other receivables	153,122	153,097
Cash and cash equivalents	2,715	2,100
	155,837	155,197
Total assets	534,619	533,979
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	3,526	3,526
Other reserves (Note)	357,715	357,715
Retained profits (Note)	79,370	60,026
Total equity	440,611	421,267
LIABILITIES		
Current liabilities		
Trade and other payables	94,008	112,712
Total equity and liabilities	534,619	533,979
Net current assets	61,829	42,485
Total assets less current liabilities	440,611	421,267

The balance sheet of the Company was approved by the Board of Directors on 17 March 2016 and was signed on its behalf.

Hung Ching Yung
Director

Lincoln C. K. Yung
Director

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

31 Balance sheet and reserve movement of the Company *(cont'd)*

Notes:

Reserve movement of the Company

	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015	356,241	1,474	60,026	417,741
Profit for the year	–	–	61,658	61,658
2014 final dividend (Note 11)	–	–	(21,157)	(21,157)
2014 special dividend (Note 11)	–	–	(21,157)	(21,157)
	<u>356,241</u>	<u>1,474</u>	<u>79,370</u>	<u>437,085</u>
At 31 December 2015	<u>356,241</u>	<u>1,474</u>	<u>79,370</u>	<u>437,085</u>
At 1 January 2014	356,241	887	123,127	480,255
Profit for the year	–	–	174,660	174,660
Shares repurchased and cancelled (Note 22)				
– Shares repurchased	–	587	(193,580)	(192,993)
– Professional cost involved	–	–	(7,166)	(7,166)
2013 final dividend (Note 11)	–	–	(16,451)	(16,451)
2013 special dividend (Note 11)	–	–	(20,564)	(20,564)
	<u>356,241</u>	<u>1,474</u>	<u>60,026</u>	<u>417,741</u>
At 31 December 2014	<u>356,241</u>	<u>1,474</u>	<u>60,026</u>	<u>417,741</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

32 Subsidiaries

Details of the subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2015	2014
Bright Honest Investment Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	50,000 shares of US\$1 each	100%	100%
Cottage Investments Co SA	Panama, limited liability company	Hong Kong	Investment holding	100 common shares without par value issued at US\$10 each and 100 common shares of US\$10 each	100%	100%
+ Culvert Investments Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares of US\$1 each	100%	100%
East Coast Investments Ltd	Hong Kong, limited liability company	Hong Kong	Investment trading	2 ordinary shares	100%	100%
Highriver Estates Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	2 ordinary shares	100%	100%
Infinity Peace Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares without par value issued at US\$1 each	100%	100%
Mepal International Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	3 ordinary shares	100%	100%
Merry Co Inc	Liberia, limited liability company	The People's Republic of China	Property Holding	1 share without par value issued at US\$1,000	100%	100%
Nanyang Cotton Mill Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares	100%	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

32 Subsidiaries *(cont'd)*

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2015	2014
Nanyang Industrial (China) Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding	2 ordinary shares	100%	100%
Nanyangtextile.com Ltd	Hong Kong, limited liability company	Hong Kong	Inactive	2 ordinary shares	100%	100%
Peninsular Inc	Liberia, limited liability company	Hong Kong	Investment holding	1 share without par value issued at HK\$10,000	100%	100%
Peninsular Yarn and Fabric Merchandising Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	1,000 ordinary shares	100%	100%
Velden Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding and trading	10,000 ordinary shares of US\$1 each	100%	100%

+ Subsidiary held directly by the Company.

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2015 and 2014

Investment properties

Description	Lot number	Type	Lease term	Group's Interest
Units 2006-2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%
Units A-D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%