



# **TAI SANG LAND DEVELOPMENT LIMITED**

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**ANNUAL REPORT 2016**

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# BOARD OF DIRECTORS AND CORPORATE INFORMATION

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## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Board of Directors**

#### *Mr. William MA Ching Wai, Chairman*

Aged 63. Joined the Company and appointed a Director of the Company in 1974. Appointed Chairman of the Board of Directors in 1984. He is currently the chairman of the board of directors of Kam Chan & Company, Limited and Tai Sang Bank Limited. He is also a member of the Association of Chairmen of the Tung Wah Group of Hospitals, life member of Yan Oi Tong Advisory Board, a member of Hong Kong Chiu Chow Chamber of Commerce, Committee Member of Hong Kong Juvenile Care Centre and a member of Sponsorship and Development Fund Committee of the Open University of Hong Kong. He was the chairman of the 1978/1979 Board of Directors of Tung Wah Group of Hospitals. He was conferred the honour of Chevalier de L'Ordre du Merite Agricole in 2008. He is the brother of Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

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

Aged 58. Joined the Company and appointed a Director of the Company in 1981. Appointed Deputy Chairman of the Board of Directors in 2005. He is currently a director of Kam Chan & Company, Limited, and a director and the general manager of Tai Sang Bank Limited. He is also a director of Hong Kong Chiu Chow Chamber of Commerce and Federation of Hong Kong Chiu Chow Community Organizations Ltd. He is a member of The Chinese University of Hong Kong – C.W. Chu College Committee of Overseers, a member of Honorary Court of Lingnan University and a Trustee of Hospital Authority Charitable Foundation (HACF). He was the chairman of the 2008/2009 Board of Directors of Tung Wah Group of Hospitals. He was conferred the honour of Chevalier de L'Ordre National du Merite in 2010. He is the brother of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

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

Aged 64. Joined the Company and appointed a Director of the Company in 1976. Appointed Managing Director of the Company in 1984. He is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. He is the brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

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

Aged 66. Joined the Company and appointed a Director of the Company in 1974. Appointed Managing Director of the Company in 1991. She is currently a director of Kam Chan & Company, Limited. She is the sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

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

Aged 53. Joined the Company in 1987 and appointed a Director of the Company in 1997. He received a doctoral degree in management from the Asian College of Knowledge Management in 2010. He is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. He is the School Manager of Tung Wah Group of Hospitals Ma Kam Chan Memorial Primary School. He is also a member of World Fellow of The Duke of Edinburgh's Award, a member of Hong Kong Chiu Chow Chamber of Commerce, a member of Hong Kong United Youth Association, a member of The Entrepreneurs' Organization Hong Kong, a member of The Public Affairs Forum and a director of the Tung Wah Group of Hospitals. He is the brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung.

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## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)**

### **Board of Directors (Continued)**

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

Aged 67. Appointed a Director of the Company in 1983, re-designated as Non-executive Director since 21st May 2004. He received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia. He is a member of CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr Cheung is currently a non-executive director of Tai Sang Bank Limited. He is also an independent non-executive director of a number of companies listed on the Stock Exchange, namely Hop Hing Group Holdings Limited and Agile Property Holdings Limited. He is also a non-executive director of Tianjin Development Holdings Limited and a non-executive director and vice chairman of SmartTone Telecommunications Holdings Limited and SUNeVision Holdings Ltd. In addition, he is currently a director of The Community Chest of Hong Kong, a court member of The Open University of Hong Kong and Honorary Council Member of The Hong Kong Institute of Directors Limited. Mr. Cheung was the deputy chairman of The Open University of Hong Kong until 19th June 2014, a non-executive director of SRE Group Limited until 4th December 2015, a member of the Labour and Welfare Department's Lump Sum Grant Steering Committee until 21st April 2015, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance until 31st August 2013. He was a member of the Board of Review (Inland Revenue Ordinance) until 31st December 2010, the deputy chairman of the Hong Kong Institute of Directors Limited until 30th June 2010, a director of Po Leung Kuk and the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He was awarded an honorary degree of Doctor of Business Administration from the Open University of Hong Kong in 2016.

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

Aged 56. Appointed an Independent Non-executive Director of the Company in 1996. He graduated with a Bachelor of Arts degree in Economics from the Wesleyan University in Connecticut, USA. He is currently the owner and Principal of KRC Projects Limited, a private investment company. He was the Executive Vice Chairman of Sincere Watch (Hong Kong) Limited ("Sincere Watch") (Stock Code 444) responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of Sincere Watch Group. Prior to joining Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC. He began his career in 1982 with a US bank in New York dealing in fixed income and derivative syndication and had been posted by the bank to their London and Tokyo offices. In 1990, he set up his own real estate investment company in California, USA, investing in real estate projects in Texas and California. Mr. Chau also served as director of the Tung Wah Group of Hospitals (2008).

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

Aged 79. Appointed an Independent Non-executive Director of the Company in 2004. He is currently a retired person. He had been the General Manager of the Company for 11 years from 1991 to 2002 and had held various senior positions with banking institutions in Malaysia and Hong Kong for over 20 years before 1991.

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## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)**

### **Board of Directors (Continued)**

*Mr. YIU Kei Chung, B Soc. Sc., Independent Non-executive Director*

Aged 66. Appointed an Independent Non-executive Director of the Company in 2015. He received a Bachelor Degree from the University of Hong Kong in Social Science (Economics & Sociology) and obtained a Diploma in Advanced Training in Industrial Management from Delft University of Technology, the Netherlands. He is an independent non-executive director of Tai Sang Bank Limited. Mr. Yiu had served the Hong Kong Government for over 30 years and had held various positions in different departments. He had been the Deputy Director of Civil Aviation in the Civil Aviation Department, the Commissioner of the Hong Kong Export Credit Insurance Corporation, the Deputy Secretary (Health) of the ex-Health, Welfare and Food Bureau. Before his retirement in March 2013, he was the Executive Director (Corporate Services) of the Mandatory Provident Fund Schemes Authority. He is currently a member of the Hospital Governing Committee of the North District Hospital of the Hospital Authority.

### **Senior Management**

*Mr. Ted MOK Tat Hung, Chief Executive*

Aged 66. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. He has 49 years of experience in real estate development and management.

*Ms. Katy MA Ching Man, BA, Company Secretary*

Aged 67. Joined the Company and appointed a Director and also Company Secretary of the Company in 1972, she was a Director of the Company until 21st January 2013. She is now the Company Secretary of the Company. She is currently a director of Kam Chan & Company, Limited. She is the sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

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

Aged 66. Joined the Company and appointed a Director of the Company in 1972, she was a Director of the Company until 21st January 2013. She is now the director of Montgomery Lands, Incorporated, a wholly owned subsidiary of the Company that operating in the United States. She is the sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Mr. Philip Ma Ching Yeung.

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## **BANKERS**

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

## **SOLICITORS**

Woo, Kwan, Lee & Lo

## **AUDITORS**

PricewaterhouseCoopers

## **REGISTERED OFFICE**

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

## **REGISTRAR AND TRANSFER OFFICE**

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

## **WEBSITE ADDRESS**

[www.tsld.com](http://www.tsld.com)  
[www.irasia.com/listco/hk/taisangland/index.htm](http://www.irasia.com/listco/hk/taisangland/index.htm)

# CHAIRMAN'S STATEMENT

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## RESULT

I am pleased to report that the Group's consolidated profit for 2016 was HK\$382.5 million, an increase of HK\$99.8 million or 35.3% as compared to HK\$282.7 million for 2015. Earnings per share were HK\$1.30 (2015: HK\$0.92), a rise of 41.3% over last year. The consolidated profit for 2016 included fair value gains on investment properties (net of deferred income tax) of HK\$316.2 million (2015: HK\$218.8 million).

The Group's underlying profit for 2016, being the consolidated profit excluding the fair value gains on investment properties (net of deferred income tax), was approximately HK\$66.3 million, an increase of HK\$2.4 million or 3.8% as compared to the corresponding figure of HK\$63.9 million for 2015. The increase in the underlying profit was mainly attributable to the write back of tax provisions upon the clearance of the Hong Kong profits tax position of a subsidiary. Core operational profit net of the above tax and revaluation effects has however declined to HK\$42.4 million from HK\$56.1 million of 2015 due to the weakness of the retail market. This trend of decline may continue in 2017.

The revenues of the Group for 2016 was HK\$276.0 million, decreased HK\$2.9 million or 1.0% as compared to HK\$278.9 million for 2015.

As at 31st December 2016, the investment properties of the Group were revalued at HK\$6,918.1 million (31st December 2015: HK\$6,381.6 million). Total equity amounted to HK\$6,905.9 million (31st December 2015: HK\$6,572.5 million).

## DIVIDEND

The directors recommend the payment of a final dividend of HK6 cents (2015: HK6 cents) per ordinary share.

## PROSPECTS

In the USA, President Trump has continuously launched new administrative policies since his inauguration in January 2017, his further policies towards the international economical affair are yet to come and will likely have impact on the economy world-wide. The coming elections of presidents of various European countries may affect the economy of Europe.

The USA China policy will unavoidably affect this region including Hong Kong. The HKSAR Chief Executive Election will likely bring about changes to the economic and political conditions of Hong Kong. The downward trend of the retail sector of Hong Kong is explicit and will reflect in the economy of Hong Kong. The interest rate rise is undergoing, however, the total hike will likely be not excessive during 2017, and may not have too much significant impact on the Hong Kong economy.

The Group will, as in the past, maintain a prudent policy to minimize exposure to risks and endeavor to maintain a healthy business growth.

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

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 22nd March 2017

# MANAGEMENT DISCUSSION AND ANALYSIS

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## **BUSINESS REVIEW**

In Hong Kong, the gross rental income for the year ended 31st December 2016 was HK\$189.0 million, a decrease of HK\$3.8 million or 2.0% as compared to last year. The drop in gross rental income was mainly attributable to the decrease in rental income from shops by HK\$9.3 million as the demand for shop spaces was sluggish, the drop was however partly compensated by the growth in the rental contributions from Gateway ts and the residential sectors.

Gateway ts has been undergoing modifications for few years into a multi-purposes building that to accommodate a wider range of clientele. In order to provide better amenities and services to our tenants, the Group will start up a canteen at Gateway ts to fulfill the requests of our tenants. In the light of the uniqueness of the positioning of Gateway ts, the rental renewal rates are encouraging.

The hotel room charge income of Hotel LBP for the year ended 31st December 2016 was HK\$15.4 million, almost same as last year. The occupancy rate for 2016 was stable at about 97% in average. The profit generated from the hotel operation for the year ended 31st December 2016 was HK\$1.0 million, a decrease of 28.6% or HK\$0.4 million as compared to last year due to the increase in operating cost. The occupancy rate of Hotel LBP will remain steady in the coming year.

The catering income from Gees for the year ended 31st December 2016 was HK\$1.8 million, increased HK\$0.2 million as compared to last year. The operating loss incurred by Gees for the year 2016 was HK\$1.7 million as compared to the operating loss of HK\$2.6 million for last year.

In the USA, the gross rental income from Montgomery Plaza for the year ended 31st December 2016 was HK\$55.9 million, a decrease of HK\$0.4 million or 0.7% as compared to last year. The office spaces occupancy rate of Montgomery Plaza was 89% by the year end of 2016 and the weighted average office rent per square feet per annum was US\$52.6. During 2016, San Francisco's office market fundamentals remained buoyant, however, the market showed definite signs of cooling compared to the past few years. The vacancy rate edged up, rent decreased slightly and net absorption and leasing volume decreased as well.

## **DEVELOPMENT PROJECTS**

By the fourth quarter of 2015, a revised plan to develop the site at No. 43 Heung Yip Road, Wong Chuk Hang into a combo of hotel, offices and eating places has been submitted to the Town Planning Board. The revised plan application has been approved by the Town Planning Board and subsequently by the Buildings Department. Superstructure work contract has been awarded by the end of 2016. The development was estimated to be completed by 2019.

The building located at No. 20 and No. 22 Severn Road, the Peak was demolished by the end of 2016. The development plan for the site has been submitted and pending for approval by the Buildings Department.

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## **FINANCIAL RESOURCES**

During the year, the Group's total bank borrowings increased by HK\$174.3 million to HK\$1,138.3 million (2015: HK\$964.0 million). The total equity increased by HK\$333.4 million to HK\$6,905.9 million (2015: HK\$6,572.5 million) and the long term bank loans outstanding as at 31st December 2016 was HK\$962.3 million (2015: HK\$662.0 million). The debt to equity ratio was 16.5% (2015: 14.7%).

There are sufficient committed banking facilities available for the Group's current funding needs and future business requirements. The Group's financial position remains healthy. There are no exposure to foreign exchange risk as the bank borrowings are in either Hong Kong or US dollars and the repayment of principal and interest will be made by the respective lending currency.

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

## **CAPITAL STRUCTURE OF THE GROUP**

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

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

	2016	2015
	HK\$'000	HK\$'000
- within one year	19,842	142,648
- in the second year	496,278	5,842
- in the third to fifth years	446,143	513,522
	<u>962,263</u>	<u>662,012</u>

The Group's bank borrowings of HK\$1,088.3 million (2015: HK\$964.0 million) are secured by certain properties with an aggregate carrying amount of HK\$5,107.2 million (2015: HK\$4,722.8 million) and the rental income thereon.

## **DETAILS OF NUMBER AND REMUNERATION OF EMPLOYEES**

As at 31st December 2016, the Group employed a total of 178 full-time employees which included the Directors of the Company. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

# REPORT OF THE DIRECTORS

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The directors of Tai Sang Land Development Limited (the “Company”) submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2016.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2016 are set out in the consolidated statement of profit or loss on page 32 of this annual report.

The directors have declared an interim dividend of HK10 cents (2015: HK10 cents) per ordinary share, totalling HK\$28,766,968 (2015: HK\$28,766,968), which was paid on 27th September 2016.

The directors recommend the payment of a final dividend of HK6 cents (2015: HK6 cents) per ordinary share, totalling HK\$17,260,181 (2015: HK\$17,260,181).

The total dividends for the year ended 31st December 2016 amounted to HK16 cents (2015: HK16 cents) per ordinary share.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$5,699,258 (2015: HK\$4,942,066).

## PRINCIPAL PROPERTIES

Details of the Group’s significant properties are set out on pages 81 to 82 of this annual report.

## PURCHASE, SALE AND REDEMPTION OF SHARES

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

## BORROWINGS

Particulars of the bank loans are shown in notes 14 and 17 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2016, calculated under part 6 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), amounted to HK\$520,200,349 (2015: HK\$541,807,726).

## 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 83 of this annual report.

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## **DIRECTORS**

### (a) Directors of the Company

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

*Executive directors:*

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

*Non-executive director:*

Edward Cheung Wing Yui, BBS

*Independent non-executive directors:*

Kevin Chau Kwok Fun  
Tan Soo Kiu  
Yiu Kei Chung

In accordance with Article 103(A) of the Company's Articles of Association, Ms. Amy Ma Ching Sau, Mr. Philip Ma Ching Yeung and Mr. Tan Soo Kiu retire by rotation and, being eligible, offer themselves for re-election.

### (b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau and Mr. Philip Ma Ching Yeung are also directors of certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung.

## **DIRECTORS' SERVICE CONTRACTS**

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

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

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

## **DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

Details of directors' and senior management's emoluments are set out in note 29 to the consolidated financial statements.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY'S OR ANY OTHER ASSOCIATED CORPORATION**

At 31st December 2016, the interests and short positions of each director and chief executive in the shares or underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO were as follows:

**Number of ordinary shares held at 31st December 2016**

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

Notes:

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

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## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

At 31st December 2016, the interest and short position of substantial shareholders in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 336 of Part XV of the SFO were as follows:

### **Number of ordinary shares held at 31st December 2016**

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

All interests stated above represent long positions.

Note:

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

## **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS**

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

### **MANAGEMENT CONTRACTS**

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

### **MAJOR SUPPLIERS AND CUSTOMERS**

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

– the largest supplier	68.1%
– five largest suppliers	93.6%

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

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

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## **CONTINUING CONNECTED TRANSACTION**

On 7th April 2014, a tenancy agreement was entered into between Tai Sang Bank Limited ("TSB") as landlord and the Company as tenant for the renewal of the leases of the office premises:

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

Term: 15th April 2014 to 14th April 2017

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

TSB is an associate of Kam Chan & Co (with Kam Chan & Co indirectly interested in more than 30% of its total number of issued shares and is therefore a connected person of the Company under Rule 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Accordingly, the above tenancy agreement constitutes a continuing connected transaction of the Company for the purpose of the Listing Rules. As set out in the announcement of the Company dated 7th April 2014, the annual cap for the aggregate amount payable under the tenancy agreement in respect of the office premises for the year ended 31st December 2016 is HK\$4,500,000. The amount paid by the Company to TSB under the tenancy agreement for the year ended 31st December 2016 was HK\$4,368,000.

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

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

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

At 31st December 2016, all directors except for non-executive directors are directors and shareholders of Kam Chan & Co, which is also engaged in property investment, and may be in competition with the business carried on by the Group.

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

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended 31st December 2016.

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## **CONFIRMATION OF INDEPENDENCE**

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

## **BUSINESS REVIEW**

The business review of the Group for the year ended 31st December 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 5 and pages 6 to 7 respectively of this Annual Report except for below.

### **Environmental policies and performance**

The Group has complied with laws and regulations regarding environmental protection and endeavored to implement measures to minimize the operation impact on the environment and natural resources and to mitigate the emissions.

The Group has implemented an internal recycling program for the toner cartridges and papers and installed documents management solutions to reduce the paper copies for record purposes at the offices. Recycling program has also been effected at Gateway ts to collect waste paper, metals and plastics for recycling purposes.

Energy saving practices are encouraged in the main offices, Gateway ts and Hotel LBP to use Hong Kong Electrical and Mechanical Services Department certified electricity consumption appliances to reduce electricity consumption and to replace lighting fixtures with LED lighting or T5 fluorescent tubes. Regular maintenance for appliances and facilities are provided for better performance to reduce electricity consumption.

Regular cleansing of freshwater and flushing water tanks at various properties under our management are made to ensure the quality of water in comply with the applicable regulations. Automatic sensor faucets are installed to reduce wastage and runoff.

Apart from consideration of pricing and quality, the Group will rank higher those suppliers and contractors who have good records in environmental and safety performance.

### **Compliance with laws and regulations**

The Group recognises the importance of compliance with laws and regulations. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group.

The Group has been allocating resources to ensure ongoing compliance with rules and regulations and any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

### **Key risk factors**

The following lists the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the disclosure below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

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## **BUSINESS REVIEW (Continued)**

### **Key risk factors (Continued)**

#### Policy risks

Policy risks are mainly attributable to the regulatory policies launched by the governing bodies regarding the property market, credit policies and labour policies that may affect the Group to adjust its investment and development strategy to commensurate the changes in the relevant policies.

#### Market risks

Market risks are mainly attributable to the internal and external environmental changes such as changes in the domestic and overseas macro-economies, demand and supply of the property market and market competition. Failure to compete in terms of pricing and levels of services will adversely affect the performance of the Group.

#### Operation risks

Operation risks are mainly attributable to the supervision and control procedures of each business segments involved in daily operation and management process of the Group, any default from business partners, tenants, suppliers or any deficiency or failure of our internal control which may cause negative effects on the business operation of the Group.

#### Financial risks

Financial risks are mainly attributable to the exposure of the Group's activities to the foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk. The impacts of the above risks on the Group's performance are discussed in note 3(a) to this consolidated financial statements.

### **Relationships with key stakeholders**

The Group's success also depends on the support from key stakeholders which comprise employees, tenants, customers, suppliers, contractors and service vendors.

#### Employees

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group is committed to ensuring the high standards in occupational health and safety and providing a safe working environment for our employees.

#### Tenants and Customers

The Group has the mission to provide excellent client service to the tenants and hotel guests whilst maintaining long term profitability and business growth.

#### Suppliers, contractors and service vendors

Sound relationships with key suppliers, contractors and service vendors of the Group are important in supply chain management, properties maintenance and development, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services and other business partners which provide value-added services to the Group.

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### **PERMITTED INDEMNITY PROVISIONS**

The Company's Articles of Association provides that every director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the Group.

### **AUDITOR**

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

On behalf of the Board

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 22nd March 2017

# CORPORATE GOVERNANCE REPORT

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## CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting year ended 31st December 2016.

## DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquires made, all directors confirmed that they had complied with the Model Code during the year ended 31st December 2016.

## BOARD OF DIRECTORS

### **Composition of the Board**

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

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

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

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

Biographical details of the directors and their relationships, where applicable, are set out on pages 1 to 3 of this annual report.

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## **BOARD OF DIRECTORS (Continued)**

### **Role of the Board**

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

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

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

### **Corporate Governance Functions**

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

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

### **Board Meetings**

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

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

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

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## **BOARD OF DIRECTORS (Continued)**

### **Directors' Training**

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

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

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

## **CHAIRMAN AND CHIEF EXECUTIVE**

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

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

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

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## **NON-EXECUTIVE DIRECTORS**

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

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

## **BOARD COMMITTEES**

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

### **Audit Committee**

Members:

INEDs	Tan Soo Kiu ( <i>Chairman</i> ) Kevin Chau Kwok Fun Yiu Kei Chung
Non-executive director	Edward Cheung Wing Yui

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

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

During the year, the Audit Committee held 2 meetings. The work performed by the Audit Committee during the financial year ended 31st December 2016 are summarised below:

- (i) reviewed annual report for the year ended 31st December 2015, and interim report for the six months ended 30th June 2016;
- (ii) proposed the appointment of PricewaterhouseCoopers ("PwC") as Independent Auditor of the Company and approved the auditor's remuneration and terms of engagements;
- (iii) reviewed and discussed with the Independent Auditor in respect of the consolidated financial statements for the year ended 31st December 2015 and the interim financial information for the six months ended 30th June 2016; and
- (iv) reviewed and assessed the adequacy and effectiveness of the Group's financial controls, risk management and internal controls systems.

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## **BOARD COMMITTEES (Continued)**

### **Remuneration Committee**

Members:

INEDs	Tan Soo Kiu ( <i>Chairman</i> ) Yiu Kei Chung
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Executive director	Amy Ma Ching Sau
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The Remuneration Committee was established in April 2005. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive directors and senior management.

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

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

### **Nomination Committee**

Members:

Executive director	William Ma Ching Wai ( <i>Chairman</i> )
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INEDs	Kevin Chau Kwok Fun Yiu Kei Chung
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The Nomination Committee of the Company was established in March 2012. The terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

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

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

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

## **BOARD COMMITTEES (Continued)**

### **Board Diversity Policy**

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

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

## **ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS**

Name of directors	Number of Meetings Attended/ Eligible to attend for the year ended 31st December 2016				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
<b>Executive directors</b>					
William Ma Ching Wai ( <i>Chairman</i> )	4/4	1/2		1/1	1/1
Patrick Ma Ching Hang	4/4				1/1
Alfred Ma Ching Kuen	4/4				1/1
Amy Ma Ching Sau	4/4		2/2		1/1
Philip Ma Ching Yeung	4/4				1/1
<b>Non-executive director</b>					
Edward Cheung Wing Yui	4/4	2/2			1/1
<b>INEDs</b>					
Kevin Chau Kwok Fun	4/4	2/2		1/1	1/1
Tan Soo Kiu	4/4	2/2	2/2		1/1
Yiu Kei Chung	4/4	2/2	2/2	1/1	1/1

## **ACCOUNTABILITY AND AUDIT**

### **Directors' Responsibilities for the Financial Statements**

The Board is responsible for the preparation of the consolidated financial statements that give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for such reporting period. The consolidated financial statements are prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("Companies Ordinance"). Appropriate accounting policies have also been used and applied consistently except for the adoption of the new and revised HKFRSs.

The reporting responsibilities of directors and external auditor are set out in the Independent Auditor's Report on pages 26 to 29 of this annual report.

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## **ACCOUNTABILITY AND AUDIT (Continued)**

### **Auditors' Remuneration**

The fees in respect of audit and audit related services provided to the Company and its subsidiaries by PwC and other auditors were HK\$2,027,500 and HK\$557,131 respectively for the year. Fees for non-audit services, which mainly consist of taxation services, provided by PwC and other auditors were HK\$365,000 and HK\$195,335 respectively.

### **COMPANY SECRETARY**

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

### **SHAREHOLDERS' RIGHTS**

#### **Convening Extraordinary General Meeting ("EGM")**

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

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

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

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

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

### **Putting Forward Proposals at Shareholders' Meetings**

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

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

If a shareholder of the Company intends to propose a person other than a director of the Company for election as a director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than 7 days prior to the date of such general meeting.

### **Enquiries to the Board**

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

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## **INVESTORS RELATION**

### **Constitutional Documents**

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

### **Communication with Shareholders**

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

The Chairman of the Board will attend the AGM and he will invite the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee to attend. In their absence, the Chairman of the Board will invite another member of the committee or failing this his duly appointed delegate, to attend. These persons will be available to answer questions at the annual general meeting.

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

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has the overall responsibility of maintaining sound and effective risk management and internal control systems. The Board oversees the systems on an ongoing basis. Supported by the Audit Committee and management, reviews covering all material controls include financial, operational and compliance controls are conducted.

The Board and the management take priority on the Group's implementation of risk management process and internal controls. The Board and the management have established risk management systems based on risk identification, measures, internal audit and assessment, monitoring and ongoing improvement.

The Group's risk management framework comprises of the Board, the management, Audit Committee and risk management and internal control functions.

1. The Board is responsible for overseeing the risk management and internal control systems to ensure the core values, strategic planning and operational guidelines and communications of the above throughout the Group are effective. Risk controls are embedded into the operations.
2. The Management is responsible for design, implementation and monitoring the risk management and internal controls systems. The management monitors to ensure that all the operation managers comply with the established policies and procedures via business systems.
3. Risk management and internal control function assist the Board to set up and ensure that Group's effective implementation policies, procedures and controls are in place. Risk management function initiates the risk management plan and determine risk factors with support from the operation departments. Risk profile which may affect the Group are identified. Internal control function is responsible to conduct regular reviews on the implementation of the policies and procedures and recommend changes in response to different business and control environments.
4. The Audit Committee supports the Board in reviewing the risk management and internal controls systems to ensure effective controls are in place. The risk management and internal control functions regularly report the above assessment and make recommendations to the Audit Committee.

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### **RISK MANAGEMENT AND INTERNAL CONTROL (Continued)**

During the year of 2016, the Board conducted ongoing review of the effectiveness of risk management and internal control system of the Group. The Board considered the systems to be effective and adequate. After assessing the internal audit report, the Audit Committee confirmed that internal control was effective. No significant risk control failure was identified. Besides, the resources, staff qualifications and experience, training and budget of accounting, internal audit and financial reporting functions were reviewed and assured adequate.

### **HANDLING AND DISSEMINATION OF INSIDE INFORMATION**

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012.

On behalf of the Board

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 22nd March 2017

# INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

*What we have audited*

The consolidated financial statements of Tai Sang Land Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 80, which comprise:

- the consolidated statement of financial position as at 31st December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

*Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

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**Key Audit Matter****How our audit addressed the Key Audit Matter**

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**Valuation of investment properties**

Refer to notes 2(f), 4(a)(i) and 7 to the consolidated financial statements

The amount of the investment properties in the consolidated statement of financial position was HK\$6,918 million and the fair value gain of investment properties for the year was HK\$356 million. The Group's investment properties and its changes in valuation are significant to the statement of financial position and statement of profit or loss respectively.

The valuations were carried out by third party valuers to perform validation of all the investment properties in order to support management's estimate.

The valuation of completed properties were based on the income capitalisation method and direct comparison method which depend on certain key assumptions that require significant management estimate and judgement, including market rents and capitalisation rates. The valuation of properties under development was based on the residual method which depends on key assumptions including the gross development value of the project upon completion (estimated using a direct comparison method) less estimated development costs and developer's profit.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

**Experience of valuers and relevance of their work**

We assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether they have the experience and whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

**Data provided to the valuers**

For completed investment properties, we performed testing on a sample basis on the data provided by the Group to the valuers from which the valuation was based upon. This data included key terms of lease agreements, operating expenditures details, rental income schedules and vacant information which we agreed to appropriate supporting documentation. For properties under development, we agreed on a sample basis that the planned schemes being valued were consistent with the actual planned development. For the budgeted costs provided by the Group to the valuers, we agreed them on a sample basis to the construction contracts and the supporting documentation.

**Assumptions and estimates used by the valuers**

We attended meetings with the valuers in which the valuation approaches and the key assumptions therein were discussed. The assumptions used varied across the portfolio depending on the age, nature and location of each property and they included market rents, capitalisation rates, gross development value, estimated development costs and allowance for developer's profit for properties in similar location and condition. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the valuers against the published industry benchmarks and comparable market transactions, and our experience in this sector.

We considered that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

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## **Other Information**

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the chairman's statement, the management discussion and analysis, directors' report, the corporate governance report, the schedule of the Group's significant properties and five-year financial summary, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yam Kwok Damien Chow.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22nd March 2017

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31ST DECEMBER 2016

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	Note	2016	2015
		HK\$	HK\$
<b>Non-current assets</b>			
Property, plant and equipment	6	1,339,535,001	1,319,480,559
Investment properties	7	6,918,146,000	6,381,584,000
Available-for-sale financial assets	8	51,373,507	53,099,953
Prepayments		10,868,092	13,894,365
		8,319,922,600	7,768,058,877
<b>Current assets</b>			
Properties for sale	9	101,740,124	101,712,707
Inventory		31,716	23,694
Debtors and prepayments	10	18,549,784	21,293,746
Current income tax recoverable		124,365	289,000
Cash and cash equivalents	11	72,381,578	57,501,592
		192,827,567	180,820,739
<b>Total assets</b>		8,512,750,167	7,948,879,616
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	417,321,278	417,321,278
Reserves	13	6,289,202,756	5,960,915,117
		6,706,524,034	6,378,236,395
<b>Non-controlling interests</b>		199,383,485	194,289,501
<b>Total equity</b>		6,905,907,519	6,572,525,896
<b>Non-current liabilities</b>			
Long term bank loans – secured	14	942,420,521	519,364,209
Deferred income tax liabilities	15	326,183,137	275,501,393
		1,268,603,658	794,865,602

	Note	2016 HK\$	2015 HK\$
<b>Current liabilities</b>			
Rental and other deposits		74,711,257	62,609,334
Creditors and accruals	16	66,283,922	47,192,972
Current income tax liabilities		1,401,763	27,038,114
Short term bank loans – secured	17	176,000,000	302,000,000
Current portion of long term bank loans – secured	14	19,842,048	142,647,698
		<u>338,238,990</u>	<u>581,488,118</u>
<b>Total equity and liabilities</b>		<u>8,512,750,167</u>	<u>7,948,879,616</u>

The financial statements on pages 30 to 80 were approved by the board of directors on 22nd March 2017 and were signed on its behalf

**William Ma Ching Wai**  
*Director*

**Alfred Ma Ching Kuen**  
*Director*

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER 2016

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	Note	2016	2015
		HK\$	HK\$
Revenues	5(a)	276,032,539	278,891,362
Cost of sales	18	(83,950,644)	(82,633,600)
Gross profit		192,081,895	196,257,762
Fair value gains on investment properties	7	356,169,383	240,598,001
Other (losses)/gains, net	19	(660,179)	8,114,315
Administrative expenses	18	(110,346,534)	(104,464,678)
Other operating expenses	18	(10,476,754)	(9,652,659)
Operating profit		426,767,811	330,852,741
Finance income	21	44,625	27,671
Finance costs	21	(15,921,784)	(12,552,604)
Finance costs, net		(15,877,159)	(12,524,933)
Profit before income tax		410,890,652	318,327,808
Income tax expense	22	(28,370,375)	(35,578,386)
Profit for the year		382,520,277	282,749,422
Attributable to:			
Owners of the Company	13	373,606,922	263,268,373
Non-controlling interests		8,913,355	19,481,049
		382,520,277	282,749,422
Earnings per share (basic and diluted)	23	HK\$1.30	HK\$0.92

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

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	Note	2016 HK\$	2015 HK\$
Profit for the year		382,520,277	282,749,422
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Net fair value loss on available-for-sale financial assets	8	(499,662)	(3,171,353)
Recycle to profit or loss upon disposal and impairment of available-for-sale financial assets		1,008,059	(7,995,750)
Exchange translation differences	13	(15,403)	-
		492,994	(11,167,103)
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Revaluation surplus upon transfer from property, plant and equipment	6, 13	-	549,850,101
Other comprehensive income for the year		492,994	538,682,998
Total comprehensive income for the year		383,013,271	821,432,420
Total comprehensive income attributable to:			
Owners of the Company	13	374,314,787	803,603,263
Non-controlling interests		8,698,484	17,829,157
		383,013,271	821,432,420

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2016

	Note	2016 HK\$	2015 HK\$
Operating activities			
Net cash generated from operations	25	108,387,210	92,854,112
Hong Kong profits tax paid		(3,433,583)	(3,955,261)
Hong Kong profits tax refunded		287,723	308,642
Overseas taxation paid		(14,487)	(13,689)
Net cash from operating activities		105,226,863	89,193,804
Investing activities			
Additions of property, plant and equipment and prepayments		(28,945,185)	(82,335,488)
Additions of investment properties and prepayments		(159,214,765)	(155,595,858)
Proceeds on disposal of available-for-sale financial assets		900	–
Proceeds on disposal of property, plant and equipment		804,198	1,538,584
Interest received		44,625	27,671
Dividends received		2,555,439	1,418,719
Net cash used in investing activities		(184,754,788)	(234,946,372)
Financing activities			
Interest paid		(28,402,990)	(21,392,744)
Drawn down of bank loans		611,300,000	580,900,000
Repayments of bank loans		(438,842,048)	(348,767,520)
Dividends paid to shareholders		(46,027,148)	(43,150,452)
Dividends paid to non-controlling shareholders of subsidiaries		(3,604,500)	(4,445,000)
Net cash from financing activities		94,423,314	163,144,284
Net increase in cash and cash equivalents		14,895,389	17,391,716
Exchange translation difference		(15,403)	–
Cash and cash equivalents at 1st January		57,501,592	40,109,876
Cash and cash equivalents at 31st December		72,381,578	57,501,592
Analysis of the balances of cash and cash equivalents			
Bank balances and cash and restricted bank deposits		72,381,578	57,501,592

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2016

Attributable to owners of the Company

	Share capital	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total reserves	Non- controlling interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2016	417,321,278	549,850,101	15,436,923	7,249,154	5,388,378,939	5,960,915,117	194,289,501	6,572,525,896
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	373,606,922	373,606,922	8,913,355	382,520,277
<b>Other comprehensive income</b>								
Net fair value loss on available-for-sales financial assets	-	-	(90,839)	-	-	(90,839)	(408,823)	(499,662)
Recycle to profit or loss upon disposal and impairment of available-for-sale financial assets	-	-	814,107	-	-	814,107	193,952	1,008,059
Exchange translation difference	-	-	-	(15,403)	-	(15,403)	-	(15,403)
<b>Total comprehensive income for the year</b>	-	-	723,268	(15,403)	373,606,922	374,314,787	8,698,484	383,013,271
<b>Transaction with owners</b>								
- dividends paid	-	-	-	-	(46,027,148)	(46,027,148)	(3,604,500)	(49,631,648)
At 31st December 2016	417,321,278	549,850,101	16,160,191	7,233,751	5,715,958,713	6,289,202,756	199,383,485	6,905,907,519
At 1st January 2015	417,321,278	-	24,952,134	7,249,154	5,168,261,018	5,200,462,306	180,905,344	5,798,688,928
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	263,268,373	263,268,373	19,481,049	282,749,422
<b>Other comprehensive income</b>								
Net fair value loss on available-for-sales financial assets	-	-	(2,389,693)	-	-	(2,389,693)	(781,660)	(3,171,353)
Recycle to profit or loss upon disposal of available-for-sale financial assets	-	-	(7,125,518)	-	-	(7,125,518)	(870,232)	(7,995,750)
Revaluation surplus upon transfer from property, plant and equipment	-	549,850,101	-	-	-	549,850,101	-	549,850,101
<b>Total comprehensive income for the year</b>	-	549,850,101	(9,515,211)	-	263,268,373	803,603,263	17,829,157	821,432,420
<b>Transaction with owners</b>								
- dividends paid	-	-	-	-	(43,150,452)	(43,150,452)	(4,445,000)	(47,595,452)
At 31st December 2015	417,321,278	549,850,101	15,436,923	7,249,154	5,388,378,939	5,960,915,117	194,289,501	6,572,525,896

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Hong Kong dollar (HK\$), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 22nd March 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets at fair value.

The Group had net current liabilities of HK\$145,411,423 as at 31st December 2016. The current liabilities mainly included short term bank loans of HK\$176,000,000 and current portion of long term bank loans of HK\$19,842,048. Based on the Group’s history of refinancing, its available banking facilities and its assets backing, the directors consider that the Group will be able to obtain sufficient financial resources so as to enable it to operate and meet its liabilities as and when they fall due. The directors believe that the Group will continue as a going concern and consequently prepared the consolidated financial statements on a going concern basis.

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

### Changes in accounting policy and disclosures

#### (i) Adoption of new HKFRSs

The following new standards and amendments to standards are relevant and mandatory to the Group for the accounting periods beginning on or after 1st January 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual Improvements 2012-2014 Cycle

The adoption of these amendment to standards did not result in substantial impact to the results and financial position of the Group.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### Changes in accounting policy and disclosures (Continued)

- (ii) The following new standards and amendments to standards are mandatory for accounting period beginning on or after 1st January 2017, but have not been early adopted by the Group.

		Effective for accounting year beginning on or after
Amendments to HKAS 7	Disclosure Initiative	1st January 2017
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group has already commenced an assessment of the impact of adopting the above new and amended standards. The Group is not yet in position to state whether they will have a significant impact on the Group's results of operations and financial position. The Group will adopt the above new and amended standards when they become effective.

### (b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December 2016.

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

#### Business combination

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### Business combination (Continued)

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

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

### (c) Segment reporting

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

### (d) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

#### (iii) Group companies

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation (Continued)

#### (iii) Group companies (Continued)

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

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

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.

### (e) Property, plant and equipment

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

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

Depreciation of leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. The depreciation is calculated using the straight-line basis over the remaining period of the leases or their estimated useful life of 20 years.

#### (ii) Buildings

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

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

#### (iii) Property under development

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

#### (iv) Plant and equipment

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment (Continued)

#### (v) Leasehold improvement

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

### (f) Investment properties

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

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

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

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

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

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

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

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

(h) Financial assets

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Impairment of financial assets

#### (i) Assets carried at amortised cost

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

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

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 statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

#### (ii) Available-for-sale financial assets

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

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

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 statement of profit or loss – is removed from equity and recognised in statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Properties for sale

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

(k) Inventories

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

(l) Trade and other receivables

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

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(n) Trade and other payables

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

(o) Provisions

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

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the statement of profit or loss, 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.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period 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.

(ii) 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 financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(iii) 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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Contingent liabilities and contingent assets

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

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

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

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

### (r) Revenue and income recognition

The Group recognises income on the following bases:

#### (i) Rental income

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

#### (ii) Agency commission and management fees

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

#### (iii) Dividend income

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

#### (iv) Income on sale of investments

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

#### (v) Income on sale of properties

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

#### (vi) Income from hotel operations

Income from hotel operations is recognised when services are rendered.

#### (vii) Sales of food and beverages

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue and income recognition (Continued)

(viii) Interest income

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

(s) Retirement benefit obligations

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

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

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

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

(t) Borrowings and borrowing costs

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

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

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

(u) Financial guarantee contracts

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Financial guarantee contracts (Continued)

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

Financial guarantee liabilities are derecognised from the statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

### (v) Operating leases

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

#### (i) Leases – where the Group is the lessor

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

#### (ii) Leases – where the Group is the lessee

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

### (w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

#### (i) Foreign exchange risk

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

#### (ii) Credit risk

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (ii) Credit risk (Continued)

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

##### (iii) Liquidity risk

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

At 31st December 2016, the Group's net current liabilities amounted to HK\$145,411,423 (2015: HK\$400,667,379). Based on the Group's history of refinancing, the directors consider that the Group will be able to refinance its existing short term bank loans and obtain sufficient financial resources so as to satisfy its working capital requirements, provision for payments of liabilities as and when they fall due and its future capital commitments. Management also reviewed the compliance of loan covenants as at 31st December 2016 and no non-compliance of covenants was noted. The directors has been closely monitored the expected liquidity requirements to ensure the maintenance of sufficient reserves of cash and adequate committed lines of funding.

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

#### 2016

	Within one year	In the second year	In the third to fifth years
	HK\$	HK\$	HK\$
Rental and other deposits	74,711,257	-	-
Creditors and accruals	66,283,922	-	-
Short term bank loans	181,272,800	-	-
Long term bank loans	48,846,930	528,461,505	465,195,588
	<u>371,114,909</u>	<u>528,461,505</u>	<u>465,195,588</u>

#### 2015

	Within one year	In the second year	In the third to fifth years
	HK\$	HK\$	HK\$
Rental and other deposits	62,609,334	-	-
Creditors and accruals	47,192,972	-	-
Short term bank loans	309,610,400	-	-
Long term bank loans	158,991,775	18,666,087	536,377,030
	<u>578,404,481</u>	<u>18,666,087</u>	<u>536,377,030</u>

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### 3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Interest rate risk

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

At 31st December 2016, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been decreased/increased by HK\$972,000 (2015: HK\$827,000) before taking account of interest capitalisation, mainly as a result of higher/lower interest expense on floating rate borrowings.

(v) Price risk

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

At 31st December 2016, if the fair value of the equity securities had been 10% higher with all other variances held constant, the investment revaluation reserve would have been increased by HK\$5,137,000 (2015: HK\$5,310,000). If the fair value of equity securities had been 10% lower with all other variables held constant, the profit after income tax for the year and investment revaluation reserve would have been decreased by HK\$1,744,000 and HK\$3,393,000 (2015: HK\$800,000 and HK\$4,510,000) respectively.

(b) Capital risk management

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

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

The Group monitors capital on the basis of the debt (total borrowings) to equity (total equity) ratio. The debt to equity ratio is 16.5% (2015: 14.7%) as at 31st December 2016.

(c) Fair value estimation

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

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2016 and 2015.

	Level 1	Level 2	Level 3
	HK\$	HK\$	HK\$
2016			
Available-for-sale financial assets	<u>40,373,507</u>	<u>–</u>	<u>11,000,000</u>
2015			
Available-for-sale financial assets	<u>42,099,953</u>	<u>–</u>	<u>11,000,000</u>

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

	2016	2015
	HK\$	HK\$
At 1st January	11,000,000	12,000,000
Net fair value loss	<u>–</u>	<u>(1,000,000)</u>
At 31st December	<u>11,000,000</u>	<u>11,000,000</u>

(d) Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements for both years ended 31st December 2016 and 2015.

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#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below:

(i) Investment properties

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

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

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

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

Should the capitalisation rates or market rates differ by 10%, the fair value gain would be reduced or increased by HK\$703,472,000 or HK\$769,483,000 (2015: HK\$587,217,000 or HK\$717,709,000) respectively and the deferred income tax charge thereon would be reduced or increased by HK\$32,234,000 or HK\$38,175,000 (2015: HK\$29,171,000 or HK\$35,654,000) respectively.

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#### 4 **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT (Continued)**

(a) Critical accounting estimates and assumptions (Continued)

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

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

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

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

Should the useful lives of the property, plant and equipment be different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK\$ 1,716,000 or HK\$1,810,000 (2015: HK\$1,292,000 or HK\$1,694,000) respectively in the current year.

Should the residual values of the property, plant and equipment be different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK\$ 1,293,000 (2015: HK\$1,242,000) respectively in the current year.

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

(i) Impairment of available-for-sale investments

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

(ii) Income tax

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

## 5 REVENUES AND SEGMENT INFORMATION

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

	2016	2015
	HK\$	HK\$
Revenues		
Property rental		
– investment properties	217,546,670	221,870,595
– properties for sale	27,326,693	27,198,967
Property related services	13,925,577	12,831,789
Hotel operations	15,429,890	15,360,711
Catering operations	1,803,709	1,629,300
	<u>276,032,539</u>	<u>278,891,362</u>

Property rental and property related services revenue above included amounts of HK\$2,187,943 (2015: HK\$2,125,020) and HK\$391,180 (2015: HK\$374,641) from related companies and persons respectively based on prices and terms as agreed by parties involved.

(b) Operating lease arrangement

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

At 31st December 2016, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	2016	2015
	HK\$	HK\$
Not later than one year	199,578,000	193,201,000
Later than one year but not later than five years	355,811,000	154,387,000
Later than five years	327,972,000	3,326,000
	<u>883,361,000</u>	<u>350,914,000</u>

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

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

There are no sales between the operating segments.

## 5 REVENUES AND SEGMENT INFORMATION (Continued)

### (d) Operating segments

	Hong Kong	North America	Total
	HK\$	HK\$	HK\$
<b>For the year ended 31st December 2016</b>			
Segment revenues			
Property rental	189,020,465	55,852,898	244,873,363
Property related services	13,925,577	–	13,925,577
Hotel operations	15,429,890	–	15,429,890
Catering operations	1,803,709	–	1,803,709
Total segment revenues	<u>220,179,641</u>	<u>55,852,898</u>	<u>276,032,539</u>
Segment results – underlying profit			
– Property rental and related services	50,762,228	16,328,957	67,091,185
– Hotel operations	971,723	–	971,723
– Catering operations	(1,717,871)	–	(1,717,871)
Fair value gains on investment properties	315,603,611	40,565,772	356,169,383
Deferred income tax, net	–	(39,994,143)	(39,994,143)
Profit for the year	<u>365,619,691</u>	<u>16,900,586</u>	<u>382,520,277</u>
Included in segment results:			
Finance income	5,235	39,390	44,625
Finance costs	(12,810,532)	(3,111,252)	(15,921,784)
Income tax credit/(expense) (note)	11,638,255	(14,487)	11,623,768
Depreciation	(16,217,408)	(1,782,748)	(18,000,156)
Capital expenditure	<u>206,930,397</u>	<u>13,652,691</u>	<u>220,583,088</u>
<b>At 31st December 2016</b>			
Property, plant and equipment	1,326,084,871	13,450,130	1,339,535,001
Investment properties	6,116,150,000	801,996,000	6,918,146,000
Non-current prepayments	9,208,215	1,659,877	10,868,092
Non-current assets (excluding available-for-sale financial assets)	7,451,443,086	817,106,007	8,268,549,093
Non-current available-for-sale financial assets	51,373,507	–	51,373,507
Current assets	151,433,893	41,393,674	192,827,567
Segment assets	<u>7,654,250,486</u>	<u>858,499,681</u>	<u>8,512,750,167</u>
Current liabilities	327,199,829	11,039,161	338,238,990
Non-current liabilities	918,800,958	349,802,700	1,268,603,658
Segment liabilities	<u>1,246,000,787</u>	<u>360,841,861</u>	<u>1,606,842,648</u>

## 5 REVENUES AND SEGMENT INFORMATION (Continued)

### (d) Operating segments (Continued)

	Hong Kong	North America	Total
	HK\$	HK\$	HK\$
For the year ended 31st December 2015			
Segment revenues			
Property rental	192,818,723	56,250,839	249,069,562
Property related services	12,831,789	–	12,831,789
Hotel operations	15,360,711	–	15,360,711
Catering operations	1,629,300	–	1,629,300
Total segment revenues	<u>222,640,523</u>	<u>56,250,839</u>	<u>278,891,362</u>
Segment results – underlying profit			
– Property rental and related services	49,483,792	15,596,569	65,080,361
– Hotel operations	1,408,356	–	1,408,356
– Catering operations	(2,578,196)	–	(2,578,196)
Fair value gains on investment properties	198,061,317	42,536,684	240,598,001
Deferred income tax, net	–	(21,759,100)	(21,759,100)
Profit for the year	<u>246,375,269</u>	<u>36,374,153</u>	<u>282,749,422</u>
Included in segment results:			
Finance income	6,946	20,725	27,671
Finance costs	(9,780,323)	(2,772,281)	(12,552,604)
Income tax expense (note)	(13,805,597)	(13,689)	(13,819,286)
Depreciation	(13,368,154)	(1,616,254)	(14,984,408)
Capital expenditure	<u>242,365,761</u>	<u>589,516</u>	<u>242,955,277</u>
At 31st December 2015			
Property, plant and equipment	1,305,504,114	13,976,445	1,319,480,559
Investment properties	5,632,550,000	749,034,000	6,381,584,000
Non-current prepayments	4,669,557	9,224,808	13,894,365
Non-current assets (excluding available-for-sale financial assets)	6,942,723,671	772,235,253	7,714,958,924
Non-current available-for-sale financial assets	53,099,953	–	53,099,953
Current assets	147,271,286	33,549,453	180,820,739
Segment assets	<u>7,143,094,910</u>	<u>805,784,706</u>	<u>7,948,879,616</u>
Current liabilities	568,009,952	13,478,166	581,488,118
Non-current liabilities	483,331,532	311,534,070	794,865,602
Segment liabilities	<u>1,051,341,484</u>	<u>325,012,236</u>	<u>1,376,353,720</u>

Note: The amount excludes net deferred income tax of North America segment.

## 6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Property under development	Total
	HK\$	HK\$	HK\$	HK\$
<b>Cost</b>				
At 1st January 2016	752,643,930	69,844,471	558,980,742	1,381,469,143
Additions	9,873,775	6,155,344	24,161,352	40,190,471
Disposals and write-off	–	(5,363,972)	–	(5,363,972)
At 31st December 2016	762,517,705	70,635,843	583,142,094	1,416,295,642
<b>Accumulated depreciation</b>				
At 1st January 2016	19,965,448	42,023,136	–	61,988,584
Depreciation charge	9,864,241	8,135,915	–	18,000,156
Disposals and write-off	–	(3,228,099)	–	(3,228,099)
At 31st December 2016	29,829,689	46,930,952	–	76,760,641
<b>Net book value</b>				
At 31st December 2016	732,688,016	23,704,891	583,142,094	1,339,535,001
<b>Cost</b>				
At 1st January 2015	342,866,213	70,166,593	484,435,973	897,468,779
Additions	11,836,067	11,763,827	74,544,769	98,144,663
Transfer from investment properties	616,000,000	–	–	616,000,000
Transfer to investment properties	(767,908,451)	(1,735,838)	–	(769,644,289)
Revaluation surplus upon transfer to investment property	549,850,101	–	–	549,850,101
Disposals and write-off	–	(10,350,111)	–	(10,350,111)
At 31st December 2015	752,643,930	69,844,471	558,980,742	1,381,469,143
<b>Accumulated depreciation</b>				
At 1st January 2015	96,316,378	43,710,487	–	140,026,865
Depreciation charge	8,885,849	6,098,559	–	14,984,408
Transfer to investment properties	(85,236,779)	(89,925)	–	(85,326,704)
Disposals and write-off	–	(7,695,985)	–	(7,695,985)
At 31st December 2015	19,965,448	42,023,136	–	61,988,584
<b>Net book value</b>				
At 31st December 2015	732,678,482	27,821,335	558,980,742	1,319,480,559

## 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) The Group's freehold land and building located in the US with net book value of HK\$9,067,500 (2015: HK\$9,740,250) together with an investment property located in the US (note 7(a)) have been pledged to a financial institution to secure a credit facility of the Group in the US totalling HK\$129,990,432 (2015: HK\$148,200,000) of which HK\$129,582,027 (2015: HK\$131,307,543) was utilised as at 31st December 2016.
- (b) The Group's property under development located in Hong Kong with net book value of HK\$583,142,094 (2015: HK\$558,980,742) has been pledged to a financial institution to secure a credit facility of the Group in Hong Kong of HK\$1,192,000,000 (2015: HK\$400,000,000) of which HK\$296,715,333 (2015: HK\$ 227,023,333) was utilised as at 31st December 2016.
- (c) The Group's property under development included additions of HK\$13,722,590 (2015: HK\$9,877,371) (note 21) being interest expenses with an effective interest rate per annum at the end of reporting period of 3.27% (2015: 2.68%) capitalised for the development project.

## 7 INVESTMENT PROPERTIES

	2016	2015
	HK\$	HK\$
At 1st January	6,381,584,000	5,927,857,800
Additions	180,392,617	144,810,614
Transfer from property, plant and equipment	–	684,317,585
Transfer to property, plant and equipment	–	(616,000,000)
Fair value gains	356,169,383	240,598,001
At 31st December (note)	<u>6,918,146,000</u>	<u>6,381,584,000</u>

Note: As at 31st December 2016, the fair value of the investment property under development is HK\$860,000,000 (2015: HK\$Nil).

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

## 7 INVESTMENT PROPERTIES (Continued)

### Fair value measurement using significant unobservable inputs

	Hong Kong			North America	Total
	Industrial properties	Commercial properties	Residential properties	Commercial property	
	HK\$	HK\$	HK\$	HK\$	
At 1st January 2016	3,106,700,000	813,500,000	1,712,350,000	749,034,000	6,381,584,000
Additions	166,208,438	1,784,971	2,980	12,396,228	180,392,617
Fair value gains/(loss)	161,791,562	(71,784,971)	225,597,020	40,565,772	356,169,383
At 31st December 2016	<u>3,434,700,000</u>	<u>743,500,000</u>	<u>1,937,950,000</u>	<u>801,996,000</u>	<u>6,918,146,000</u>
At 1st January 2015	2,837,600,000	778,500,000	1,605,850,000	705,907,800	5,927,857,800
Additions	130,006,179	129,300	14,085,619	589,516	144,810,614
Transfer from property, plant and equipment	-	-	684,317,585	-	684,317,585
Transfer to property, plant and equipment	-	-	(616,000,000)	-	(616,000,000)
Fair value gains	139,093,821	34,870,700	24,096,796	42,536,684	240,598,001
At 31st December 2015	<u>3,106,700,000</u>	<u>813,500,000</u>	<u>1,712,350,000</u>	<u>749,034,000</u>	<u>6,381,584,000</u>

### Valuation processes

The Group measures its investment properties at fair value. The investment properties of the Group in Hong Kong and North America were revalued by A A Property Services Limited and Martorana Bohegian & Company respectively. They are independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued, at 31st December 2016. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end, the assigned team:

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

## 7 INVESTMENT PROPERTIES (Continued)

### Valuation techniques

For completed properties, the income capitalisation method and direct comparison method were used. For income capitalisation method, the valuers apply assumptions for capitalisation rates and market rents, which are influenced by the prevailing market yields and comparable market transactions, as well as discount rate, to arrive at the final valuation. For direct comparison method, the valuers apply assumption for the current prices in an active market, which are influenced by the different nature, condition or location, to arrive at the final valuation.

For properties under development, the residual method is used, whereby the valuation is derived from the gross development value of the project upon completion (estimated using a direct comparison method) less estimated development costs and allowance for developer's profit.

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

### Significant unobservable inputs used to determine fair value

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

Capitalisation rates are estimated by A A Property Services Limited and Martorana Bohegian & Company based on the risk profile of the properties being valued in Hong Kong and North America respectively. The higher the rates, the lower the fair value. At 31st December 2016, capitalisation rates of ranged from 2.0% to 4.5% (2015: 2.5% to 4.0%) and 4.5% (2015: 4.0%) are used in the income capitalisation method for completed properties in Hong Kong and North America respectively and capitalisation rate of 5% is used in the residual value method for investment property under development in Hong Kong.

### Notes:

- (a) The Group's investment property located in the US with a net book value of HK\$801,996,000 (2015: HK\$749,034,000) together with the freehold land and building located in the US have been pledged to a financial institution to secure a credit facility of the Group in the US (note 6(a)).

Certain of the Group's investment properties located in Hong Kong with an aggregate net book value of HK\$3,713,000,000 (2015: HK\$3,405,000,000) have been pledged to financial institutions to secure credit facilities of the Group in Hong Kong totalling HK\$899,200,000 (2015: HK\$678,000,000) of which HK\$661,965,208 (2015: HK\$605,681,031) were utilised as at 31st December 2016.

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

	2016	2015
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	883,950,000	828,350,000
Leases of between 10 and 50 years	5,232,200,000	4,804,200,000
Outside Hong Kong, held on:		
Freehold	801,996,000	749,034,000
	<u>6,918,146,000</u>	<u>6,381,584,000</u>

- (c) Addition during the year included an amount of HK\$1,568,593 (2015: HK\$803,323) (note 21) being interest expenses with an effective interest rate per annum at the end of reporting period in the range of 2.81% to 3.01% (2015: 2.53%) capitalised for the improvement works of the investment property.

## 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK\$	HK\$
At 1st January	53,099,953	56,488,824
Additions	–	11,857,482
Disposals	(19,200)	(12,075,000)
Net fair value losses charged to equity	(499,662)	(3,171,353)
Impairment	(1,207,584)	–
At 31st December	<u>51,373,507</u>	<u>53,099,953</u>

Available-for-sale financial assets include the following:

Listed equity securities in Hong Kong (note (a))	40,338,290	42,056,546
Listed equity securities in overseas (note (b))	35,217	43,407
Unlisted equity securities (note (c))	11,000,000	11,000,000
	<u>51,373,507</u>	<u>53,099,953</u>

Notes:

- (a) Listed equity securities in Hong Kong, which were denominated in Hong Kong dollar, mainly represented securities listed in the Main Board of The Stock Exchange of Hong Kong Limited, which included conglomerates that are also engaged in property development and utility businesses.
- (b) Listed equity securities in overseas as at 31st December 2016 were denominated in US dollar, represented a publicly traded container port business trust, an equity investment listed in the Singapore Exchange.
- (c) Unlisted securities were denominated in Hong Kong dollar, represented approximately 12% equity interests each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited, and Yangtze China Investment Limited. The underlying investments of these entities comprise companies engaged in Chinese medical products and environmental friendly product in China, and a provider of expansion capital to China-based enterprises.

## 9 PROPERTIES FOR SALE

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

	2016	2015
	HK\$	HK\$
Leasehold land	12,063,340	12,063,340
Development expenditures	89,676,784	89,649,367
	<u>101,740,124</u>	<u>101,712,707</u>
In Hong Kong, held on:		
Leases of over 50 years	27,980,518	27,953,101
Leases of between 10 and 50 years	73,759,606	73,759,606
	<u>101,740,124</u>	<u>101,712,707</u>

## 10 DEBTORS AND PREPAYMENTS

	2016	2015
	HK\$	HK\$
Trade debtors (note (a))	498,647	379,146
Prepayments, deposits and other debtors (note (b))	18,051,137	20,914,600
	<u>18,549,784</u>	<u>21,293,746</u>

### Notes:

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

At 31st December 2016, the ageing analysis of the trade debtors were as follows:

	2016	2015
	HK\$	HK\$
0-30 days	465,647	376,315
31-60 days	33,000	-
Over 90 days	-	2,831
	<u>498,647</u>	<u>379,146</u>

At 31st December 2016, trade debtors of HK\$5,531 (2015: HK\$33,796) were fully performing. Trade debtors of HK\$493,116 (2015: HK\$345,350) were past due but not impaired and its due date analysis was as follows:

	2016	2015
	HK\$	HK\$
0-30 days	460,116	342,519
31-60 days	33,000	-
Over 90 days	-	2,831
	<u>493,116</u>	<u>345,350</u>

At 31st December 2016 and 2015, no impairment provision was made on the trade debtors.

- (b) The prepayments, deposits and other debtors represent utilities deposits, and other prepayments, deposits and receivables.
- (c) The carrying amounts of debtors and prepayments approximated their fair values as at 31st December 2016 and 2015.
- (d) Included in the debtors and prepayments are the following amounts denominated in a currency other than the functional currency of the Company:

	2016	2015
	HK\$	HK\$
US dollar	<u>9,528,340</u>	<u>18,851,670</u>

## 11 CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
	HK\$	HK\$
Bank balances and cash	72,381,578	56,501,592
Restricted bank deposits (note)	–	1,000,000
	<u>72,381,578</u>	<u>57,501,592</u>

Note:

At 31st December 2016, restricted bank deposit of the Company is pledged to secure an overdraft credit facility of HK\$Nil (2015: HK\$998,000) provided to the Company by a financial institution, which is a related company of the Company.

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

	<u>2016</u>	<u>2015</u>
	HK\$	HK\$
US dollar	<u>33,525,211</u>	<u>23,922,592</u>

## 12 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	<u>Number of shares</u>	<u>Share capital</u>
		HK\$
At 1st January 2016 and 31st December 2016	<u>287,669,676</u>	<u>417,321,278</u>
At 1st January 2015 and 31st December 2015	<u>287,669,676</u>	<u>417,321,278</u>

### 13 RESERVES

	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2016	549,850,101	15,436,923	7,249,154	5,388,378,939	5,960,915,117
Net fair value loss on available-for-sale financial assets	-	(90,839)	-	-	(90,839)
Recycle to profit or loss upon disposal and impairment of available-for-sale financial assets	-	814,107	-	-	814,107
Exchange translation difference	-	-	(15,403)	-	(15,403)
Profit attributable to owners of the Company	-	-	-	373,606,922	373,606,922
Total comprehensive income	-	723,268	(15,403)	373,606,922	374,314,787
Dividends paid					
2015 final dividend (note 24)	-	-	-	(17,260,181)	(17,260,181)
2016 interim dividend (note 24)	-	-	-	(28,766,967)	(28,766,967)
At 31st December 2016	<u>549,850,101</u>	<u>16,160,191</u>	<u>7,233,751</u>	<u>5,715,958,713</u>	<u>6,289,202,756</u>
Representing:					
Reserves	549,850,101	16,160,191	7,233,751	5,698,698,532	6,271,942,575
2016 final dividend proposed (note 24)	-	-	-	17,260,181	17,260,181
	<u>549,850,101</u>	<u>16,160,191</u>	<u>7,233,751</u>	<u>5,715,958,713</u>	<u>6,289,202,756</u>

### 13 RESERVES (Continued)

	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2015	-	24,952,134	7,249,154	5,168,261,018	5,200,462,306
Net fair value loss on available-for-sale financial assets	-	(2,389,693)	-	-	(2,389,693)
Recycle to profit or loss upon disposal of available-for-sale financial assets	-	(7,125,518)	-	-	(7,125,518)
Revaluation surplus upon transfer from property, plant and equipment	549,850,101	-	-	-	549,850,101
Profit attributable to owners of the Company	-	-	-	263,268,373	263,268,373
Total comprehensive income	549,850,101	(9,515,211)	-	263,268,373	803,603,263
Dividends paid					
2014 final dividend	-	-	-	(14,383,484)	(14,383,484)
2015 interim dividend (note 24)	-	-	-	(28,766,968)	(28,766,968)
At 31st December 2015	<u>549,850,101</u>	<u>15,436,923</u>	<u>7,249,154</u>	<u>5,388,378,939</u>	<u>5,960,915,117</u>
Representing:					
Reserves	549,850,101	15,436,923	7,249,154	5,371,118,758	5,943,654,936
2015 final dividend proposed (note 24)	-	-	-	17,260,181	17,260,181
	<u>549,850,101</u>	<u>15,436,923</u>	<u>7,249,154</u>	<u>5,388,378,939</u>	<u>5,960,915,117</u>

### 14 LONG TERM BANK LOANS – SECURED

	2016	2015
	HK\$	HK\$
Bank loans		
– wholly repayable within five years	962,262,569	662,011,907
Amounts due within one year included under current liabilities	(19,842,048)	(142,647,698)
	<u>942,420,521</u>	<u>519,364,209</u>

#### 14 LONG TERM BANK LOANS – SECURED (Continued)

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

	2016	2015
	HK\$	HK\$
– within one year	19,842,048	142,647,698
– in the second year	496,277,432	5,842,048
– in the third to fifth year	446,143,089	513,522,161
	<u>962,262,569</u>	<u>662,011,907</u>

The effective interest rates per annum at the end of reporting period were as follows:

	2016	2015
HK dollar bank loans	2.81%-3.27%	2.38%-2.68%
US dollar bank loan	2.27%	1.89%

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

	2016	2015
	HK\$	HK\$
1 month or less	224,842,053	131,307,543
1 to 3 months	737,420,516	530,704,364
	<u>962,262,569</u>	<u>662,011,907</u>

The carrying amounts of the long term bank loans approximated their fair values as at 31st December 2016 and 2015. The fair values are based on cash flows discounted using a rate based on the borrowing rate in the range of 2.27% to 3.27% (2015: 1.89% to 2.68%) per annum.

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

	2016	2015
	HK\$	HK\$
HK dollar	832,680,542	530,704,364
US dollar	129,582,027	131,307,543
	<u>962,262,569</u>	<u>662,011,907</u>

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

## 15 DEFERRED INCOME TAX LIABILITIES

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

	2016	2015
	HK\$	HK\$
Deferred income tax liabilities		
– to be settled after more than 12 months	326,183,137	275,501,393

The movements on the net deferred tax liabilities are as follows:

	2016	2015
	HK\$	HK\$
At 1st January	275,501,393	243,221,098
Charged to consolidated statement of profit or loss	50,681,744	32,280,295
At 31st December	326,183,137	275,501,393

At 31st December 2016, the Company's subsidiaries in Hong Kong had unrecognised tax losses of HK\$22,835,000 (2015: HK\$19,823,000) to carry forward against future taxable income. Such tax losses have no expiry date. The Company's subsidiary in the US had no unrecognised tax losses to carry forward against future taxable income.

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

	Tax losses	
	2016	2015
	HK\$	HK\$
At 1st January	104,260,423	104,903,896
Charged to consolidated statement of profit or loss	(16,926,549)	(643,473)
At 31st December	87,333,874	104,260,423

	Revaluation of properties		Accelerated tax depreciation	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
At 1st January	(188,176,003)	(169,983,618)	(191,585,813)	(178,141,376)
Charged to consolidated statement of profit or loss	(20,352,437)	(18,192,385)	(13,402,758)	(13,444,437)
At 31st December	(208,528,440)	(188,176,003)	(204,988,571)	(191,585,813)

## 16 CREDITORS AND ACCRUALS

	2016	2015
	HK\$	HK\$
Trade creditors	28,795,461	18,397,980
Other creditors	15,675,934	10,635,002
Accruals	21,812,527	18,159,990
	<u>66,283,922</u>	<u>47,192,972</u>

At 31st December 2016, the ageing analysis of the trade creditors was as follows:

	2016	2015
	HK\$	HK\$
0-30 days	28,776,219	18,387,854
31-60 days	15,900	1,776
Over 90 days	3,342	8,350
	<u>28,795,461</u>	<u>18,397,980</u>

The carrying amounts of creditors and accruals approximated their fair values as at 31st December 2016 and 2015.

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

	2016	2015
	HK\$	HK\$
US dollar	<u>2,850,331</u>	<u>3,373,375</u>

## 17 SHORT TERM BANK LOANS – SECURED

The effective interest rates per annum at the end of reporting period were as follows:

	2016	2015
	HK\$	HK\$
Short term bank loans	<u>2.66%-3.16%</u>	<u>2.32%-2.52%</u>

## 17 SHORT TERM BANK LOANS – SECURED (Continued)

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

	2016	2015
	HK\$	HK\$
1 month or less	50,000,000	10,000,000
1 to 3 months	126,000,000	292,000,000
	<u>176,000,000</u>	<u>302,000,000</u>

The carrying amounts of the short term bank loans approximated their fair values as at 31st December 2016 and 2015.

The short term bank loans are secured by certain investment properties (note 7(a)) in Hong Kong and the rental income thereon. All the short term bank loans are denominated in Hong Kong dollar.

## 18 COST AND EXPENSES

	2016	2015
	HK\$	HK\$
Auditors' remuneration		
– audit services	2,584,631	2,656,246
– non-audit services	560,335	646,782
Bad debts written off	–	1,678
Depreciation	18,000,156	14,984,408
Outgoings in respect of		
– investment properties	43,187,482	44,245,892
– properties for sale	8,200,729	7,407,072
– property related services	13,063,109	11,593,139
– property, plant and equipment	2,415,602	2,699,995
– hotel operations	11,021,572	10,398,468
– catering operations	3,766,128	4,057,066
Operating lease rental for office premises to a related company (note)	4,368,000	4,368,000
Employee benefit expense (note 20)	85,246,738	79,566,649
Others	12,359,450	14,125,542
	<u>204,773,932</u>	<u>196,750,937</u>
Total cost of sales, administrative and other operating expenses	<u>204,773,932</u>	<u>196,750,937</u>

Note: The transaction was based on prices and terms as agreed parties involved.

## 19 OTHER (LOSSES)/GAINS, NET

	2016	2015
	HK\$	HK\$
Dividend income from available-for-sale financial assets	2,555,439	1,418,719
Loss on disposal of property, plant and equipment, net	(981,675)	(1,082,636)
(Loss)/gain on disposal of available-for-sale financial assets	(56,600)	7,778,232
Impairment on available-for-sale financial assets	(2,177,343)	–
	<u>(660,179)</u>	<u>8,114,315</u>

## 20 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2016	2015
	HK\$	HK\$
Salaries	57,520,124	50,252,911
Housing and other allowances, benefits in kind	16,360,081	15,383,956
Bonuses	9,796,002	12,289,876
Retirement benefit costs	1,570,531	1,639,906
	<u>85,246,738</u>	<u>79,566,649</u>

### (a) Pensions – defined contribution plans

There was no forfeited contribution as at 31st December 2016 (2015: Nil). No forfeited contribution was utilised during the year (2015: Nil).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2015: three) directors whose emoluments are reflected in note 29(a). The emoluments payable to the remaining one (2015: two) individuals during the year are as follows:

	2016	2015
	HK\$	HK\$
Salaries	4,872,120	6,342,600
Housing and other allowances, benefits in kind	1,807,080	781,000
Bonuses	1,218,030	4,157,100
Retirement benefit costs	18,000	36,000
	<u>7,915,230</u>	<u>11,316,700</u>

## 20 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

### (b) Five highest paid individuals (Continued)

The emoluments fell with the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK\$)		
HK\$1,000,001 – HK\$2,000,000	–	1
HK\$7,000,001 – HK\$8,000,000	1	–
HK\$9,000,001 – HK\$10,000,000	–	1
	<u>1</u>	<u>2</u>

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

### (c) Key management remuneration

Remuneration for key management, including amounts paid to the Company's executive directors and chief executive, as disclosed in note 29(a), and three (2015: three), senior management and other members, is as follows:

	2016	2015
	HK\$	HK\$
Fees	100,000	94,800
Salaries	21,078,218	19,334,104
Housing and other allowances, benefits in kind	15,462,481	14,513,956
Bonuses	5,163,760	7,631,100
Retirement benefit costs	213,818	208,444
	<u>42,018,277</u>	<u>41,782,404</u>

## 21 FINANCE INCOME AND COSTS

	2016	2015
	HK\$	HK\$
Finance income		
Interest income from banks	44,625	27,671
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	(31,212,967)	(23,233,298)
Less: Amount capitalised in property under development and investment property (note 6(c) and note 7(c))	15,291,183	10,680,694
	<u>(15,921,784)</u>	<u>(12,552,604)</u>
Finance costs, net	<u>(15,877,159)</u>	<u>(12,524,933)</u>

## 22 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Except for the minimum United States state tax which has been paid during the year, no overseas taxation (2015: HK\$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the year.

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

	2016	2015
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	(4,096,687)	(3,541,755)
– Overseas taxation	(14,487)	(13,689)
	(4,111,174)	(3,555,444)
Deferred income tax	(34,703,168)	(32,280,295)
	(38,814,342)	(35,835,739)
Over provision in prior years from current income tax and deferred income tax, net	10,443,967	257,353
	<u>(28,370,375)</u>	<u>(35,578,386)</u>

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

	2016	2015
	HK\$	HK\$
Profit before income tax	410,890,652	318,327,808
Calculated at a taxation rate of 16.5% (2015: 16.5%)	(67,796,958)	(52,524,088)
Income not subject to tax	51,149,485	33,539,728
Expenses not deductible for tax purposes	(942,319)	(1,207,302)
Effect of different taxation rates in other countries	(14,989,887)	(15,315,905)
Over provision in prior years	10,443,967	257,353
Others	(6,234,663)	(328,172)
Income tax expense	<u>(28,370,375)</u>	<u>(35,578,386)</u>

There was no income tax relating to components of other comprehensive income for the year ended 31st December 2016 and 2015.

## 23 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$373,606,922 (2015: HK\$263,268,373) and on 287,669,676 (2015: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2016 and 2015, the diluted earnings per share is equal to the basic earnings per share.

## 24 DIVIDENDS

The interim dividends paid in 2016 and 2015 were HK\$28,766,968 (HK10 cents per share) and HK\$28,766,968 (HK10 cents per share) respectively. At a meeting held on 22nd March 2017, the directors proposed a final dividend of HK6 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2017 upon the approval by the Company's shareholders.

	2016	2015
	HK\$	HK\$
Interim, paid, of HK10 cents (2015: HK10 cents) per ordinary share	28,766,968	28,766,968
Final, proposed, of HK6 cents (2015: HK6 cents) per ordinary share	17,260,181	17,260,181
	<u>46,027,149</u>	<u>46,027,149</u>

## 25 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016	2015
	HK\$	HK\$
Profit before income tax	410,890,652	318,327,808
Finance income	(44,625)	(27,671)
Finance costs	15,921,784	12,552,604
Depreciation	18,000,156	14,984,408
Bad debts written off	–	1,678
Fair value gains on investment properties	(356,169,383)	(240,598,001)
Loss on disposal of property, plant and equipment, net	981,675	1,082,636
Loss/(gain) on disposal of available-for-sale financial assets	56,600	(7,778,232)
Impairment on available-for-sale financial assets	2,177,343	–
Dividend income	(2,555,439)	(1,418,719)
Operating profit before working capital changes	89,258,763	97,126,511
Increase in properties for sale	(27,417)	(924,200)
(Increase)/decrease in inventory	(8,022)	15,549
Decrease/(increase) in debtors and prepayments	1,194,672	(5,001,078)
Increase in rental and other deposits	12,101,923	3,024,444
Increase/(decrease) in creditors and accruals	5,867,291	(1,387,114)
Net cash generated from operations	<u>108,387,210</u>	<u>92,854,112</u>

## 26 FINANCIAL GUARANTEES

At 31st December 2016, the Company had provided guarantees to bankers for credit facilities granted to subsidiaries of which HK\$964,200,000 (2015: HK\$839,900,000) were utilised as at 31st December 2016.

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## 27 COMMITMENTS

(a) Capital commitments

At 31st December 2016, the Group had capital commitments as follows:

	<u>2016</u>	<u>2015</u>
	HK\$	HK\$
Contracted but not provided for		
– investment properties	240,566,000	213,399,000
– property, plant and equipment	894,000	1,022,000
– property under development	538,074,000	28,673,000
	<u>779,534,000</u>	<u>243,094,000</u>

(b) Commitments under operating leases

At 31st December 2016, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>2016</u>	<u>2015</u>
	HK\$	HK\$
Land and buildings		
Not later than one year	800,000	3,840,000
Later than one year but not later than five years	–	800,000
	<u>800,000</u>	<u>4,640,000</u>

## 28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31st December 2016

	2016	2015
	HK\$	HK\$
<b>Non-current assets</b>		
Property, plant and equipment	861,240	994,071
Investment properties	590,000,000	660,000,000
Subsidiaries	501,095,030	496,218,290
Available-for-sale financial asset	169,856	196,282
	<u>1,092,126,126</u>	<u>1,157,408,643</u>
<b>Current assets</b>		
Debtors and prepayments	2,177,080	2,139,069
Amounts due from subsidiaries	558,924,237	537,686,788
Cash and cash equivalents	9,479,183	12,754,455
	<u>570,580,500</u>	<u>552,580,312</u>
<b>Total assets</b>	<u>1,662,706,626</u>	<u>1,709,988,955</u>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	417,321,278	417,321,278
Reserves (note (a))	1,087,403,158	1,180,821,931
<b>Total equity</b>	<u>1,504,724,436</u>	<u>1,598,143,209</u>
<b>Current liabilities</b>		
Rental and other deposits	1,980,400	4,932,500
Creditors and accruals	8,058,187	6,425,400
Short term bank loan	50,000,000	–
Amounts due to subsidiaries	97,943,603	100,487,846
	<u>157,982,190</u>	<u>111,845,746</u>
<b>Total equity and liabilities</b>	<u>1,662,706,626</u>	<u>1,709,988,955</u>

The statement of financial position of the Company was approved by the board of directors on 22nd March 2017 and were signed on its behalf

**William Ma Ching Wai**  
Director

**Alfred Ma Ching Kuen**  
Director

## 28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a): Reserve movement of the Company

	Investment revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$
At 1st January 2016	183,633	1,180,638,298	1,180,821,931
Fair value loss on available-for-sale financial asset	(26,426)	–	(26,426)
Loss for the year	–	(47,365,198)	(47,365,198)
Total comprehensive income	(26,426)	(47,365,198)	(47,391,624)
Dividends paid			
2015 final dividend (note 24)	–	(17,260,181)	(17,260,181)
2016 interim dividend (note 24)	–	(28,766,968)	(28,766,968)
At 31st December 2016	<u>157,207</u>	<u>1,087,245,951</u>	<u>1,087,403,158</u>
Representing:			
Reserves	157,207	1,069,985,770	1,070,142,977
2016 final dividend proposed (note 24)	–	17,260,181	17,260,181
	<u>157,207</u>	<u>1,087,245,951</u>	<u>1,087,403,158</u>
At 1st January 2015	210,631	1,158,857,244	1,159,067,875
Fair value loss on available-for-sale financial asset	(26,998)	–	(26,998)
Profit for the year	–	64,931,506	64,931,506
Total comprehensive income	(26,998)	64,931,506	64,904,508
Dividends paid			
2014 final dividend	–	(14,383,484)	(14,383,484)
2015 interim dividend (note 24)	–	(28,766,968)	(28,766,968)
At 31st December 2015	<u>183,633</u>	<u>1,180,638,298</u>	<u>1,180,821,931</u>
Representing:			
Reserves	183,633	1,163,378,117	1,163,561,750
2015 final dividend proposed (note 24)	–	17,260,181	17,260,181
	<u>183,633</u>	<u>1,180,638,298</u>	<u>1,180,821,931</u>

## 29 BENEFITS AND INTERESTS OF DIRECTORS

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

The remuneration of every director and the chief executive is set out below:

#### For the year ended 31st December 2016

Emoluments paid or receivable in respect of a person's services  
as a director, whether of the Company or its subsidiaries undertaking

	Fees	Salaries	Discretionary bonuses	Housing and other allowances, benefit in kind	Employer's contribution to a retirement benefit scheme	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Name of director						
William Ma Ching Wai	24,000	5,233,800	2,180,750	11,051,401	18,000	18,507,951
Patrick Ma Ching Hang	19,000	1,787,760	297,960	-	18,000	2,122,720
Alfred Ma Ching Kuen	19,000	898,200	149,700	-	18,000	1,084,900
Amy Ma Ching Sau	19,000	1,940,640	423,440	600,000	18,000	3,001,080
Philip Ma Ching Yeung	19,000	1,787,760	297,960	2,004,000	18,000	4,126,720
Edward Cheung Wing Yui	160,000	-	-	-	-	160,000
Kevin Chau Kwok Fun	160,000	-	-	-	-	160,000
Tan Soo Kiu	160,000	-	-	-	-	160,000
Yiu Kei Chung	160,000	-	-	-	-	160,000
	<u>740,000</u>	<u>11,648,160</u>	<u>3,349,810</u>	<u>13,655,401</u>	<u>90,000</u>	<u>29,483,371</u>
Name of chief executive						
Ted Mok Tak Hung	-	4,872,120	1,218,030	1,807,080	18,000	7,915,230

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31st December 2015

Emoluments paid or receivable in respect of a person's services  
as a director, whether of the Company or its subsidiaries undertaking

Name of director	Fees	Salaries	Discretionary bonuses	Housing and other allowances, benefit in kind	Employer's contribution to a retirement benefit scheme	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
William Ma Ching Wai	22,800	4,984,560	2,076,900	11,176,956	18,000	18,279,216
Patrick Ma Ching Hang	18,000	1,020,060	283,760	-	18,000	1,339,820
Alfred Ma Ching Kuen	18,000	855,360	142,560	-	18,000	1,033,920
Amy Ma Ching Sau	18,000	1,819,560	403,260	600,000	18,000	2,858,820
Philip Ma Ching Yeung	18,000	1,702,560	283,760	1,956,000	18,000	3,978,320
Edward Cheung Wing Yui	152,000	-	-	-	-	152,000
Kevin Chau Kwok Fun	152,000	-	-	-	-	152,000
Tan Soo Kiu	152,000	-	-	-	-	152,000
Yiu Kei Chung	152,000	-	-	-	-	152,000
	<u>702,800</u>	<u>10,382,100</u>	<u>3,190,240</u>	<u>13,732,956</u>	<u>90,000</u>	<u>28,098,096</u>
Name of chief executive						
Ted Mok Tak Hung	-	4,640,040	3,873,340	781,000	18,000	9,312,380

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## 29 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

No retirement benefits are paid to or receivable by the directors during the year ended 31st December 2016 (2015: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial year (2015: Nil).

(d) Consideration provided to third parties for making available directors' services

During the financial year ended 31st December 2016, the Company does not pay consideration to any third parties for making available directors' services (2015: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31st December 2016, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2015: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Except for the following transaction, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

On 7th April 2014, a tenancy agreement was entered into between Tai Sang Bank Limited ("TSB") as landlord and the Company as tenant for the renewal of the leases of the office premises. TSB is an associate of Kam Chan & Company, Limited, a company of which, Mr. William Ma Ching Wai is a substantial shareholder, is indirectly interested in more than 30% of its issued voting share capital of TSB. The amount paid by the Company to TSB under the tenancy agreement for the year ended 31st December 2016 was HK\$4,368,000 (2015: HK\$4,368,000).

The above transaction is also set out in the section headed "Continuing Connected Transaction" on page 12 of this annual report.

### 30 PRINCIPAL SUBSIDIARIES

At 31st December 2016, the Company had the following principal subsidiaries which, in the opinion of the directors, materially affect the results and/or assets of the Group. Montgomery Lands, Incorporated, Central Financial Management Company Inc. and Central Financial Management of Montana LLC are incorporated and operate in the United States of America. All other subsidiaries are incorporated and operate in Hong Kong.

Name	Percentage of issued shares held				Issued ordinary shares	Principal activities
	By the Company		By subsidiary company			
	2016	2015	2016	2015		
Ballington Limited	100	100	-	-	1,000 shares	e, g
Cambella Limited	100	100	-	-	1,000 shares	b
Capital Gold Investment Limited	-	-	100	100	1 share	g
Central Financial Management Company Inc.	-	-	100	100	10,000 shares of US\$1 each	d
Central Financial Management of Montana LLC	-	-	100	100	N/A	j
Chi Ho Investment Company Limited	100	100	-	-	100 shares	a, g
Chi Ning Investment Company Limited	100	100	-	-	421,290 shares	e
China Gateway Emporium Limited	100	100	-	-	2 shares	l
East Gold Investment Limited	-	-	100	100	1 share	g
Etrema Company Limited	100	100	-	-	1,000 shares	a
Glory Gold investment Limited	-	-	100	100	1 share	g
Gold Earth Investment Limited	-	-	100	100	1 share	g
Gold Express Investment Limited	-	-	100	100	1 share	g
Golden Ocean Corporation Limited	100	100	-	-	531,510 shares	a, g
Kam Cheung Investment Company Limited	75	75	-	-	1,200,000 shares	a
Kam Chung Industrial Company Limited	100	100	-	-	1,149,430 shares	g
Kam Hang Company Limited	95	95	-	-	5,000 shares	a
Kam Yiu Company Limited	100	100	-	-	73,000 shares	b
La Bizplace Limited	100	100	-	-	2 shares	h
Montgomery Enterprises Limited	100	100	-	-	1,190,840 shares	a, e, g, k
Montgomery Lands, Incorporated	-	-	100	100	20,000 shares of US\$1 each	a, e
Ocean Gold Investment Limited	-	-	100	100	1 share	g
On Ah Enterprises Limited	65	65	-	-	100,000 shares	a
Pentacontinental Land Investment Company Limited	53.6	53.6	-	-	2,000,000 shares	a, e
Satvision Limited	100	100	-	-	1,000 shares	a, g
Silver Focus Investment Limited	-	-	100	100	1,000 shares	e, g
Silver Grand Investment Limited	-	-	100	100	1,000 shares	g
Tai Fung Investment Company Limited	65	65	-	-	1,400,000 shares	a
Tai Land Finance Company Limited	100	100	-	-	100,000 shares	c
Tai Sang Cold Storage & Godown Company Limited	58	58	-	-	5,600,000 shares	e
Tai Sang Estate Agency Limited	100	100	-	-	100,000 shares	d, e

### 30 PRINCIPAL SUBSIDIARIES (Continued)

Name	Percentage of issued shares held				Issued ordinary shares	Principal activities
	By the Company		By subsidiary company			
	2016	2015	2016	2015		
TSE (Floral Villas) Limited	-	-	100	100	100 shares	d
TSE (Kam Yuen Mansion) Limited	-	-	100	100	1,000 shares	d
TSL Construction and Engineering Limited	100	100	-	-	2 shares	g
Welldicker Industrial Limited	100	100	-	-	2 shares	e
Xin Kuok Investments Limited	100	100	-	-	2 shares	f

Principal activities:

a = property rental

b = property development

c = finance

d = estate management and agency

e = investment holding

f = motor vehicle rental

g = property sale

h = property sub-letting

i = management service

j = motor vehicle holding

k = hotel operation

l = catering operation

# SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2016

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## A PROPERTIES FOR INVESTMENT

Description	Lot Number	Type <sup>#</sup>	Appro. G.F.A. (M <sup>2</sup> )	Group's interest	Lease term
<b>Hong Kong</b>					
Gateway ts, 8 Cheung Fai Road, Tsing Yi Island	T.Y.T.L. 56	G	118,025	100.0%	Medium term
Heung Wah Industrial Building (portion), 12 Wong Chuk Hang Road, Aberdeen	A.I.L. 340	I	6,947	95.5%	Long term
Chin Fat Factory Building (portion), 3 Tsat Po Street, San Po Kong	K.I.L. 4438 & 4439	I	996	65.0%	Medium term
House of Corona (portion), 50 Hung To Road, Kwun Tong	K.T.I.L. 284	I	699	65.0%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road	I.L. 646 Sec. A & Sec. B	R	2,034	75.0%	Long term
Sea and Sky Court (portion), 92 Stanley Main Street, Stanley	S.I.L. 8	R	319	100.0%	Long term
Mercantile House, 186 & 190 Nathan Road, Tsim Sha Tsui	K.I.L.9735 & 2/70 shares of 8631	R & C	1,078	100.0%	Medium term
Continental Mansion (portion), 294-304 King's Road, North Point	R.P. of I.L. 7185	R & C	1,078	53.6%	Long term
Shing Wah Building (portion), 31 Shing Fong Street, Kwai Chung	K.C.T.L. 232	C	309	100.0%	Medium term
Kin Wah Mansion (portion), 176-178 Tung Lo Wan Road	I.L. 3578, 3579 & 3581	C	590	100.0%	Long term
Viking Court (portion), 165-166 Connaught Road West, Western District	M.L. 342 & 343	C	585	100.0%	Long term
Kam Wah Building (portion), 21 Shek Yam Road, Kwai Chung	K.C.T.L. 171	C	262	95.0%	Medium term
Floral Villas (portion), Tso Wo Hang, Sai Kung	D.D. 252 Lot 314	R & C	4,623	100.0%	Medium term
<b>Overseas</b>					
Montgomery Plaza, 456 Montgomery Street, San Francisco, the United States of America	-	C	15,638 <sup>^</sup>	100.0%	Freehold

**B PROPERTIES FOR SALE**

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

**C PROPERTIES FOR HOTEL OPERATION**

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

**D PROPERTIES FOR CATERING OPERATION**

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

**E PROPERTIES UNDER DEVELOPMENT**

Description	Lot Number	Type #	Appro. site area (M <sup>2</sup> )	Group's interest	Expected completion
<b>Hong Kong</b> 43 Heung Yip Road, Aberdeen	A.I.L. 353	H	1,208	100.0%	2019
No.20 & No.22 Severn Road, The Peak	R.B.L. 1137	R	3,810	100.0%	Planning

**F OTHER PROPERTIES****Properties for own operations**

Description	Lot Number	Type #	Appro. G.F.A. (M <sup>2</sup> )	Group's interest	Lease term
<b>Hong Kong</b> No.1 Barker Road	R.B.L. 810	Q	1,352	100.0%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road	I.L. 646 Sec. A & Sec. B	Q	910	75.0%	Long term

## Type #

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

## FIVE-YEAR FINANCIAL SUMMARY

	2012	2013	2014	2015	2016
<b>RESULTS</b>					
<b>(HK\$ thousand)</b>					
Profit attributable to:					
– Owners of the Company	580,181	414,961	620,250	263,268	373,607
– Non-controlling interests	20,555	12,002	11,845	19,481	8,913
	<u>600,736</u>	<u>426,963</u>	<u>632,095</u>	<u>282,749</u>	<u>382,520</u>
Earnings per share	<u>HK\$2.02</u>	<u>HK\$1.44</u>	<u>HK\$2.16</u>	<u>HK\$0.92</u>	<u>HK\$1.30</u>
<b>ASSETS AND LIABILITIES</b>					
<b>(HK\$ thousand)</b>					
Total assets	5,600,525	6,112,599	6,912,414	7,948,880	8,512,750
Total liabilities	(775,448)	(913,679)	(1,113,725)	(1,376,354)	(1,606,843)
Total equity	<u>4,825,077</u>	<u>5,198,920</u>	<u>5,798,689</u>	<u>6,572,526</u>	<u>6,905,907</u>