

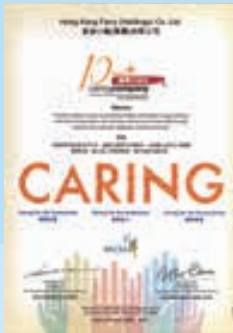


HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香港小輪(集團)有限公司

(Stock Code 股份代號: 50)

Annual 年報
Report
2014





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

GROUP GENERAL MANAGER

Ir. Dr. Ho Chi Shing, David

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

AUDITOR

KPMG

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

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

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS' PROFILE

Dr. Lam Ko Yin, Colin, *FCILT, FHKIoD, DB (Hon)*, aged 63, was appointed on 1 July 1986, is the Chairman of the Company. Dr. Lam has over 41 years' experience in banking and property development. He is also a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He was previously a member of the Court of The University of Hong Kong until 12 December 2012. Dr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.



Dr. Lam Ko Yin, Colin
Chairman

Mr. Li Ning, *BSc, MBA*, aged 58, was appointed on 20 October 1989, is an Executive Director of the Company. Mr. Li is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. He ceased to act as an Independent Non-executive Director of Glencore International plc on 2 May 2013, a listed public company. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Non-executive Director of the Company.



Mr. Li Ning



Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 68, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au is a well-known banker in Hong Kong and has more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land") (as re-designated on 18 December 2012) and The Wharf (Holdings) Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr. Au was previously an independent non-executive director of Wheelock and Company Limited, a listed public company, until 22 October 2012. An accountant by training, he is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. As at 31 December 2014, Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance.



Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 68, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 45 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Miramar Hotel and Investment Company, Limited, both of which are listed public companies. He previously served as an Executive Director of Henderson Investment Limited, a listed public company, until his retirement on 9 June 2011. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)

Dr. the Hon. Lee Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 86, was appointed on 15 December 1981, is a Non-executive Director of the Company. He has been engaged in property development in Hong Kong for more than 55 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, the Chairman of The Hong Kong and China Gas Company Limited and the Vice Chairman of Sun Hung Kai Properties Limited. He was previously the chairman of Miramar Hotel and Investment Company, Limited ("Miramar") until his resignation and redesignation as non-executive director of Miramar on 12 June 2014. He was also previously an Independent Non-executive Director of The Bank of East Asia, Limited until his resignation on 24 April 2013. All the above companies are listed public companies. Dr. Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Pataca, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning, an Executive Director of the Company.



Dr. the Hon. Lee Shau Kee

Mr. Wong Man Kong, Peter, *BBS, JP, BSc, FCILT, MRINA*, aged 66, was appointed on 9 March 1992, is a Non-executive Director of the Company. Mr. Wong was the President and Chief Executive Officer of the Company from 1992 to 1995. Mr. Wong has over 42 years of industrial, commercial and public service experience, having served as Director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee in 1996/1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. He is serving as a deputy to the 12th National People's Congress of the People's Republic of China. Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited. Currently he holds directorship of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments, Limited, Sun Hung Kai & Co. Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited and MGM China Holdings Limited, all of which are listed public companies.



Mr. Wong Man Kong, Peter

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)



Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, BA, ACA, FCPA, aged 59, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 23 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies. He was previously a director of Taifook Securities Group Limited. Mr. Ho previously served as a director of CITIC Pacific Limited, until 12 May 2011 and an independent non-executive director of Starlight International Holdings Limited, until his retirement on 26 August 2013, both of which are listed public companies.



Mr. Leung Hay Man

Mr. Leung Hay Man, FRICS, FCI Arb, FHKIS, aged 80, was appointed on 15 December 1981, and was re-designated as an Independent Non-executive Director of the Company on 15 October 2012. He is a Chartered Surveyor. Mr. Leung was also re-designated as an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited on 22 August 2012 and is an Independent Non-executive Director of The Hong Kong and China Gas Company Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)

Ms. Wong Yu Pok, Marina, JP, aged 66, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including the Advisory Committee on Social Work Training and Manpower Planning, Lump Sum Grant Independent Complaints Handling Committee of the Social Welfare Department and is the Chairman of The Applied Research Council. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women, a director of China Tibetan Children Health & Education Fund and a director of The Child Development Centre at Matilda. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited and Kerry Logistics Network Limited, all of which are listed public companies in Hong Kong and an independent director of China World Trade Center Co. Ltd, which is listed on the Shanghai Stock Exchange.



Ms. Wong Yu Pok, Marina

Mr. Wu King Cheong, BBS, JP, aged 64, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. Mr. Wu is currently an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.



Mr. Wu King Cheong



DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE (CONTINUED)

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

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

Ir. Dr. Ho Chi Shing, David, *JP, DBA, FCILT, FHKIE, FCIM, FHKIoD, MPIA, MCI Arb*, aged 58, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 34 years of experience in ferry operations. Dr. Ho was appointed as a Justice of the Peace in 2013. He is presently the Chairman of the Logistics Industry Training Advisory Committee, the Deputy Convener of Transportation & Logistics Industry Consultative Network of Employees Retraining Board, a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxembourg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong, a member of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a member of the Standing Committee on Language Education and Research, the Chairman of Adventure-Ship, a board member of The Hong Kong Sea School, and an Adjunct Professor at the College of Business of City University of Hong Kong. Dr. Ho has been extensively involved in works of the Vocational Training Council and was awarded VTC Honorary Fellow Award in 2007. He is currently the Chairman of the Transport Logistics Training Board. Dr. Ho is also a General Committee Member and the Chairman of the Transport and Logistics Services Council of the Federation of Hong Kong Industries.

Mr. Fan Chi Ming, Paul, *BCS, DMS, MBA*, aged 66, joined the Company as Head of Group Business Development in 2010. He has been the General Manager of the travel and cruise operations since 2011. He has previously worked in Hong Kong Trade Development Council and has over 24 years of extensive experience in China trade and business promotion.

Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, CBM, PgD*, aged 53, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 25 years of experience in accounting, auditing and management assurance.

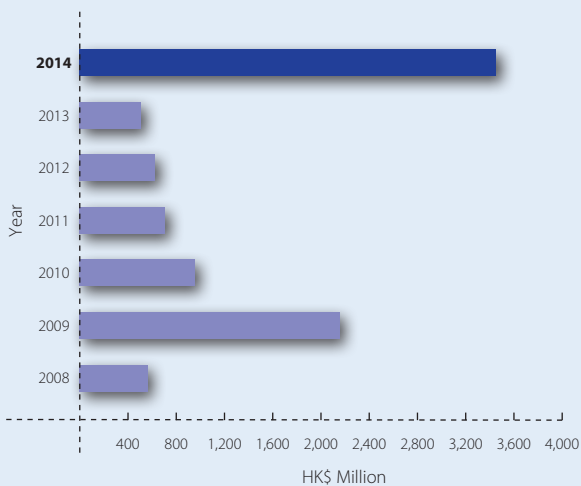
Mr. Wong Kam Chuen, Terence, *MCF, BA(Hons), FCCA, CPA, ACIS, ACS*, aged 46, has been the Deputy General Manager of Finance and Accounts Department of the Company since September 2013. He joined the Company in 1995 and has over 20 years of experience in accounting, auditing and corporate finance.

Mr. Yuen Wai Kuen, Peter, *BA(Hons), MBA, FCIS, FCS, FFA*, aged 56, has joined the Company in January 2005 and been appointed Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

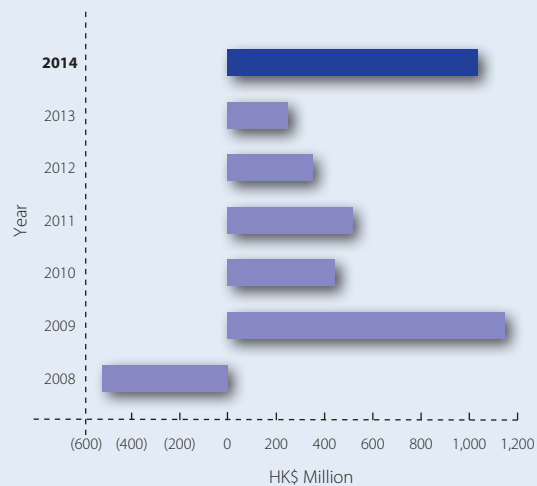
FINANCIAL HIGHLIGHTS

| | | 2014 | 2013 | Variance |
|-------------------------------------|----------|-------|-------|----------|
| Turnover | HK\$M | 3,507 | 440 | 697.0% |
| Profit attributable to shareholders | HK\$M | 1,031 | 293 | 251.9% |
| Dividends | HK\$M | 556 | 128 | 334.4% |
| Shareholders' funds | HK\$M | 5,823 | 5,187 | 12.3% |
| Basic earnings per share | HK\$ | 2.89 | 0.82 | 252.4% |
| Dividend per share | HK Cents | 156.0 | 36.0 | 333.3% |
| Dividend cover | Times | 1.9 | 2.3 | -17.4% |
| Return on equity | % | 17.7 | 5.7 | 210.5% |
| Net assets per share | HK\$ | 16.3 | 14.6 | 11.6% |

Group Turnover



Profit/(loss) attributable to shareholders



CHAIRMAN'S STATEMENT

**I AM PLEASED TO PRESENT TO
THE SHAREHOLDERS MY REPORT
ON THE OPERATIONS OF THE
GROUP FOR THE YEAR ENDED
31 DECEMBER 2014.**

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2014 amounted to approximately HK\$1,031 million, an increase of 251% as compared with the profit after taxation of HK\$293 million last year. The earnings per share this year were HK\$2.89 compared with the earnings per share of HK\$0.82 in the previous year.

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2014 of HK26 cents per share (2013: HK26 cents per share). The Board of Directors further recommended the payment of a second special dividend for the year ended 31 December 2014 of HK30 cents per share (2013: Nil). Subject to shareholders' approval at the annual general meeting to be held on Tuesday, 26 May 2015, the final dividend and the second special dividend will be paid on or about Monday, 15 June 2015 to shareholders whose names

appear on the register of members of the Company on Friday, 5 June 2015. The final dividend and the second special dividend, together with the interim dividend of HK10 cents and the first special dividend of HK90 cents per share already paid, will make a total distribution of HK\$1.56 for the full year.

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Green Code.

Property Development and Investment Operations

In 2014, the Group's profit derived from the sale of 699 residential units of Green Code and the rental and other income from the commercial arcade amounted to HK\$1,092 million.

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



The sale of residential units of METRO6 at No. 121 Bulkeley Street, Hung Hom has been carried out in phases. The response from pre-sale was satisfactory. More than half of the residential units had been sold. This residential-cum-commercial tower provides a total gross floor area of approximately 56,000 sq. ft. and comprises 95 residential units. The occupation permit has been issued in February 2015 and accordingly the sale turnover will be duly included in the unaudited interim financial statements of the Group in 2015.

Upon obtaining the response on the clarification on the land use under the crown lease from the relevant Government authorities, the Group will review the further development of 208 Tung Chau Street project.

Ferry, Shipyard and Related Operations

The Ferry, Shipyard and related operations recorded a decline of 76% in operating profit to HK\$8.2 million this year as compared with last year, largely due to the absence of a one-off gain from the disposal of oil barges. The operating results of Harbour Cruise — Bauhinia showed a decrease of 71% to HK\$1.1 million this year due to the reduction in marginal profit.

Travel Operation

Due to the negative impact of the “Occupy Central” movement, the operating results of the Travel Operation doubled in deficit to HK\$8.1 million this year.

Securities Investment

An impairment loss of HK\$15.8 million was made against the Group’s available-for-sale securities investment during this year.

PROSPECTS

The market anticipation of a probable rise in US interest rate in 2015 has raised uncertainty to the global economy. Although the US has maintained its stable growth, the Eurozone and Japan embarked on quantitative easing policies. China has also cut interest rate to boost the economy. The growth momentum of the Chinese economy has slowed down after the past decades of sustained rapid growth. In early March 2015, Premier Li Keqiang announced that the increase in the GDP of China in 2015 would be around 7%, in order to adjust to a “New Normal” in the economy. Under the discordant economic performances of various countries around the world, it is expected that the Hong Kong economy will sustain growth, albeit with increment less than the average 3.9% in the past ten years.

The local property market became more active in the second half of 2014, rising both in price and transaction volume. This was mainly due to the relatively low interest rate for mortgage and the strong demand on small to medium size residential flats. The transactions in first hand residential units in 2014 rose to approximately 16,000, a new high in seven years. Due to the escalation in property price, the Hong Kong Monetary Authority introduced in February 2015 new counter cyclical measures, reducing the maximum mortgage loan-to-value ratio to 60% for all self-use residential units below HK\$7 million. In the year under review, the Group had followed the market trend and slightly increased the selling prices of the properties held for sale, without jeopardizing the pace of the sale. The Group would pay attention to suitable tender or auction opportunities of Government lands to replenish the landbank in the future.


The proceeds from the sale of the remaining units in Green Code and METRO6 will be the major source of income of the Group in 2015. The Group would continue to look out for suitable investments to enhance the return for shareholders.

ACKNOWLEDGEMENT

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

Lam Ko Yin, Colin
Chairman

Hong Kong, 18 March 2015



Green Code



Harbour Cruise – Bauhinia



METRO6

MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF RESULTS

The Group's turnover for the year amounted to approximately HK\$3,507 million, representing an increase of 697% when compared to the previous year. This was mainly attributed to the sale of residential units of Green Code.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2014, shareholders' fund of the Group showed an increase of around 12.3% as compared to the previous year and amounted to approximately HK\$5,823 million. The increase was mainly due to net effect of the profit realised from the sale of residential units of Green Code, the gains on revaluation of the Group's investment properties and the payment of dividends.

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

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$2.3 million was received from an associate which provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK\$4,544 million as compared to the current liabilities of approximately HK\$1,216 million as of 31 December 2014. Current ratio of the Group had been increased to 3.7, mainly attributed to the decrease in trade and other payables.

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2014, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

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

EMPLOYEES

As at 31 December 2014, the number of employees of the Group stood at about 300 (2013: about 300). The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK\$93 million, which was commensurate with that recorded in the previous year.



REPORT OF THE DIRECTORS

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

| | Percentage of the Group's total purchases |
|-------------------------------------|---|
| The largest supplier | 64.9% |
| Five largest suppliers in aggregate | 81.3% |

Henderson Land Development Company Limited ("HLD"), through its subsidiaries, was one of the Group's five largest suppliers during the financial year. As at 31 December 2014, HLD, a substantial shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company, which indirectly holds approximately 33.33% of the issued share capital of the Company.

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

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

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2014 are set out in note 14 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 112.

An interim dividend of HK10 cents per share (2013: HK10 cents per share) and the first special dividend of HK90 cents per share (2013: Nil) were paid on 26 September 2014. The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2014 of HK26 cents per share (2013: HK26 cents per share). The Board of Directors has further recommended the payment of a second special dividend for the year ended 31 December 2014 of HK30 cents per share (2013: Nil). Subject to shareholders' approval at the annual general meeting to be held on Tuesday, 26 May 2015 (the "2015 AGM"), the final dividend and the second special dividend will be paid on or about Monday, 15 June 2015 to shareholders whose names appear on the register of members of the Company on Friday, 5 June 2015.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$6,626 (2013: HK\$6,680).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

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

These movements include the automatic inclusion of the amounts standing to the share premium account in share capital as from 3 March 2014 in accordance with section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), as part of the transition to the no-par value regime.

DIRECTORS

The directors of the Company during the year ended 31 December 2014 and up to the date of this report were:-

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with Article 103(A) of the Company's Articles of Association, Dr. Lam Ko Yin, Colin, Mr. Lau Yum Chuen, Eddie, Dr. Lee Shau Kee and Mr. Wong Man Kong, Peter shall retire by rotation at the forthcoming AGM, and, being eligible, offer themselves for re-election as directors.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2014, the interests and short positions of the directors in securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under Section 352 of the SFO were as follows:

Interests

| | THE COMPANY | | | | Approximate percentage of total issued shares |
|---------------------------|---|--|---|--|---|
| | Personal Interests <i>Number of Shares</i> | Corporate Interests <i>Number of Shares</i> | Family Interests <i>Number of Shares</i> | Total Interests <i>Number of Shares</i> | |
| Dr. Lam Ko Yin, Colin | 150,000 | – | – | 150,000 | 0.04% |
| Mr. Au Siu Kee, Alexander | – | – | – | – | 0.00% |
| Mr. Ho Hau Chong, Norman | 3,313,950 | – | – | 3,313,950 | 0.93% |
| Mr. Lau Yum Chuen, Eddie | – | – | – | – | 0.00% |
| Dr. Lee Shau Kee | 799,220 | 118,732,090 <i>(Note 5 on page 18)</i> | – | 119,531,310 | 33.55% |
| Mr. Leung Hay Man | 2,250 | – | – | 2,250 | 0.00% |
| Mr. Li Ning | – | – | 118,732,090 <i>(Note 4 on page 18)</i> | 118,732,090 | 33.33% |
| Mr. Wong Man Kong, Peter | 1,051,000 | – | – | 1,051,000 | 0.29% |
| Ms. Wong Yu Pok, Marina | – | – | – | – | 0.00% |
| Mr. Wu King Cheong | – | – | – | – | 0.00% |

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

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

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Notes:

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

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2014.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2014, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| | Number of shares in which interested | Approximate percentage of total issued shares |
|--|---|--|
| Substantial Shareholders | | |
| Henderson Land Development Company Limited (<i>Note 1</i>) | 118,732,090 | 33.33% |
| Pataca Enterprises Limited (<i>Note 1</i>) | 118,732,090 | 33.33% |
| Wiselin Investment Limited (<i>Note 1</i>) | 48,532,090 | 13.62% |
| Henderson Development Limited (<i>Note 2</i>) | 118,732,090 | 33.33% |
| Hopkins (Cayman) Limited (<i>Note 3</i>) | 118,732,090 | 33.33% |
| Rimmer (Cayman) Limited (<i>Note 3</i>) | 118,732,090 | 33.33% |
| Riddick (Cayman) Limited (<i>Note 3</i>) | 118,732,090 | 33.33% |
| Mr. Li Ning (<i>Note 4</i>) | 118,732,090 | 33.33% |
| Dr. Lee Shau Kee (<i>Note 5</i>) | 119,531,310 | 33.55% |
| Persons other than Substantial Shareholders | | |
| Graf Investment Limited (<i>Note 1</i>) | 23,400,000 | 6.57% |
| Mount Sherpa Limited (<i>Note 1</i>) | 23,400,000 | 6.57% |
| Paillard Investment Limited (<i>Note 1</i>) | 23,400,000 | 6.57% |

Notes:

- These 118,732,090 shares included the 48,532,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").
- These 118,732,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD.
- These 118,732,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.
- By virtue of the SFO, Mr. Li Ning was taken to be interested in these 118,732,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 118,732,090 shares are duplicated in the interests described in Notes 1, 2 and 3.

- Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 118,732,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,531,310 shares (approximately 33.55% of the total issued share capital of the Company) as at 31 December 2014.

Save as disclosed, as at 31 December 2014, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK\$1,031,411,000 (2013: HK\$293,437,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the financial statements.

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

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

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

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

CONNECTED TRANSACTIONS

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

Continuing Connected Transactions

During the year ended 31 December 2014 and up to the date of this Annual Report, the Company and/or its subsidiaries had entered into certain continuing connected transactions, with details below, which were subject to the annual review and reporting requirements under Chapter 14A of the Listing Rules:

| Date | Connected Persons | Transactions |
|------------------|---|--|
| 1. 15 March 2011 | Henderson Real Estate Agency Limited ("HREAL"), a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") | The Group entered into the Fanling Project Management Agreement with HREAL for the appointment of HREAL as the project manager of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the "Fanling Property"). |
| 11 January 2013 | HREAL and Henderson Property Agency Limited ("HPAL"), a wholly-owned subsidiary of HREAL | The Group entered into the Supplemental Fanling Project Management Agreement with HREAL and HPAL to revise the maximum annual aggregate amounts of the Fanling Project Management Fee during the term of the Fanling Project Management Agreement and to transfer and novate the rights and obligations of HREAL regarding the project sales and marketing services to HPAL. Details of the Fanling Project Management Agreement and the Supplemental Fanling Project Management Agreement were set out in the announcements of the Company dated 15 March 2011 and 11 January 2013 respectively. |

FINANCIAL SUMMARIES

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 113 to 115 of this Annual Report.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 116 and 117 of this Annual Report.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 17 to the financial statements.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

| Date | Connected Persons | Transactions |
|------------------|--|--|
| 2. 15 March 2011 | Heng Lai Construction Company Limited ("Heng Lai"), a wholly-owned subsidiary of HLD | The Group entered into the Fanling Prime Cost Contract with Heng Lai for the appointment of Heng Lai as the main contractor of the development of the Fanling Property. The Fanling Prime Cost Contract expired on 31 May 2014. |
| 28 October 2014 | Heng Lai | The Group entered into the Fanling Prime Cost Contract Extension Letter with Heng Lai to extend the period of payment of fees commencing from 1 June 2014 under the Fanling Prime Cost Contract dated 15 March 2011. Details of the Fanling Prime Cost Contract and the Fanling Prime Cost Contract Extension Letter were set out in the announcements of the Company dated 15 March 2011 and 28 October 2014 respectively. |
| 3. 15 March 2011 | HREAL | The Group entered into the TCS Project Management Agreement with HREAL for the appointment of HREAL as the project manager of the development of 208 Tung Chau Street (formerly known as 204-214 Tung Chau Street), Sham Shui Po, Kowloon, Hong Kong (the "TCS Property"). |
| 11 January 2013 | HREAL and HPAL | The Group entered into the Supplemental TCS Project Management Agreement with HREAL and HPAL to revise the maximum annual aggregate amounts of the TCS Project Management Fee during the term of the TCS Project Management Agreement and to transfer and novate the rights and obligations of HREAL regarding the project sales and marketing services to HPAL. Details of the TCS Project Management Agreement and the Supplemental TCS Project Management Agreement were set out in the announcements of the Company dated 15 March 2011 and 11 January 2013 respectively. |
| 4. 15 March 2011 | Heng Tat Construction Company Limited ("Heng Tat"), a wholly-owned subsidiary of HLD | The Group entered into the TCS Prime Cost Contract with Heng Tat for the appointment of Heng Tat as the main contractor for the development of the TCS Property. |
| 11 January 2013 | Heng Tat | The Group entered into the Supplemental TCS Prime Cost Contract with Heng Tat to revise the maximum annual aggregate amounts of the TCS Prime Costs and Fees payable during the term of the TCS Prime Cost Contract. Details of the TCS Prime Cost Contract and the Supplemental TCS Prime Cost Contract were set out in the announcements of the Company dated 15 March 2011 and 11 January 2013 respectively. |

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

| Date | Connected Persons | Transactions |
|----------------|---|---|
| 5. 5 July 2011 | Citistore (Hong Kong) Limited ("Citistore"), an indirectly non-wholly owned subsidiary of HLD | <p>The Group (by HREAL as agent) entered into the Tenancy Renewal Agreement with Citistore as tenant for renewing the tenancy of Shop Nos. G01, Portion of G31, G35–G50, Portion of G51, Portion of G52, G63–G74 and corridors and atrium on Ground Floor, and Shop Nos. 127–161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong.</p> <p>The Group (by HREAL as agent) also entered into a Wall Signage Licence Agreement and an Entrance Signage Licence Agreement with Citistore as licensee for licensing fourteen external wall signages at MHP and one signage at the entrance of MHP, respectively.</p> <p>The Tenancy Renewal Agreement, the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement were for a term of three years commencing from 1 July 2011 and expired on 30 June 2014.</p> |
| 28 March 2014 | Citistore | <p>The Group (by HREAL as agent) entered into the Tenancy Renewal Agreement with Citistore as tenant for renewing the tenancy of Shop Nos. G01, Portion of G31, G35–G50, Portion of G51, Portion of G52, G63–G74 and corridors and atrium on Ground Floor, and Shop Nos. 127–161 and corridors and toilets on Level 1 at MHP.</p> <p>The Group (by HREAL as agent) also entered into an External Wall Signage Licence Agreement and an Entrance Signage Licence Agreement with Citistore as licensee for licensing three external wall signages at MHP and one signage at the entrance of MHP, respectively.</p> <p>The Tenancy Renewal Agreement, the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are for a term of three years commencing from 1 July 2014.</p> <p>Details of the Tenancy Renewal Agreement, the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement were set out in the announcements of the Company dated 5 July 2011 and 28 March 2014 respectively.</p> |



REPORT OF THE DIRECTORS (CONTINUED)

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

| Date | Connected Persons | Transactions |
|---------------------|---|---|
| 6. 5 September 2013 | HREAL | <p>The Group entered into the Hung Hom Project Management Agreement with HREAL for the appointment of HREAL as the project manager of the development of Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong (the "Hung Hom Property").</p> <p>Details of the Hung Hom Project Management Agreement were set out in the announcements of the Company dated 5 September 2013.</p> |
| 7. 24 December 2013 | HPAL | <p>The Group entered into the Hung Hom Sales Management Agreement with HPAL for the appointment of HPAL as the sales manager of the Hung Hom Property.</p> <p>Details of the Hung Hom Sales Management Agreement were set out in the announcements of the Company dated 24 December 2013.</p> |
| 8. 5 August 2014 | HPAL and Miramar Hotel and Investment Company, Limited ("Miramar"), of which HLD is a substantial shareholder | <p>The Group entered into a letter agreement with HPAL to lease portions of Shops 501–502 and 503A–C, 5th Floor, Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for use as show flats and sales office of the Hung Hom Property for the period from 5 August 2014 to the completion date (the earlier of 4 April 2015 and the date on which the last residential unit in the Hung Hom Property to be sold is sold). The Group was the principal and HPAL acted as agent of the Group under the Miramar/HPAL Agreement, as disclosed in the announcement of Miramar dated 10 July 2014.</p> <p>Details of the Letter Agreement were set out in the announcement of the Company dated 5 August 2014.</p> |

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

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

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions entered during the year ended 31 December 2014 have been entered into (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 19 to 23 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions entered during the year ended 31 December 2014 (i) have received the approval of the Board of Directors of the Company; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 33 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2014 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

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

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2015 AGM.

On behalf of the Board

Lam Ko Yin, Colin
Chairman

Li Ning
Director

Hong Kong, 18 March 2015



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2014. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

BOARD OF DIRECTORS

Responsibility and delegation

The Board is responsible for considering and deciding on matters covering overall Group strategies, major acquisitions and disposals, annual budgets, approving annual reports and interim reports, announcement of annual results and interim results, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the Articles of Association of the Company and the Board will from time to time delegate the functions to the management whenever required. The Board is primarily responsible for the strategic planning and policy formulation of the Company. Several material matters are reserved for the Board's considerations and/or decisions including, among other things, overall strategy of the Company; business plans; annual financial budgets; dividend policy and payments; investment plans; disposal proposals; appointment of directors; oversight of

management and oversee the effectiveness of the internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their respective training programmes and budget. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

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

The Board has delegated the day-to-day management of the Company's business to the senior management, and focuses its attention on matters affecting the Company's long term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

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

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

BOARD COMPOSITION

The Board comprises ten directors including two executive directors, four non-executive directors and four independent non-executive directors. The names of the Directors of the Company are as follows:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" of this Annual Report on pages 3 to 7. A list of the Directors and their role and function is available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

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

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

Committee of the Company will monitor the implementation of the Board Diversity Policy and review the policy as appropriate.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

The procedures for shareholders of the Company (the "Shareholders") to propose a person for election as a Director are available and accessible on the website of the Company (www.hkf.com) and to the section of "Procedures for Shareholders to propose a person for election as a director" in this Corporate Governance Report on page 33.

CHAIRMAN AND GROUP GENERAL MANAGER

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

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

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10(2), 3.10A of the Listing Rules. Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three independent non-executive directors and Rule 3.10(2) of the Listing Rules requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.10A of the Listing Rules requires that an issuer must appoint independent non-executive directors representing at least one-third of the board.

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

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

CONFIRMATION OF INDEPENDENCE

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

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

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued shares of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

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

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

CONFIRMATION OF INDEPENDENCE (Continued)

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest

development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend two in-house workshops with distinguished speakers from the professional fields on topics of legal, compliance and tax updates.

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

According to the records maintained by the Company, the Directors received the following training(s) in compliance with the requirement of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2014:

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

a: corporate governance

b: regulatory

c: accounting and finance

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

BOARD COMMITTEES

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

Audit Committee

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

The terms of reference of the Audit Committee are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

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

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results for the year ended 31 December 2013, the Annual Internal Audit Report, the continuous professional development records of Directors and senior management, Continuing Connected Transactions, reviewed of the adequacy

of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions, the interim results for the six months ended 30 June 2014, the Interim Internal Audit Report, to approve the remuneration and terms of engagement of the external auditor and the works of the Company's internal audit department and assessed the effectiveness of the Company's systems of risk management and internal control. The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

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

Remuneration Committee

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

The terms of reference of the Remuneration Committee are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

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

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

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

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

During the year, one remuneration committee meeting was held. During the meeting, the Remuneration Committee members reviewed and determined the remuneration package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2014.

Nomination Committee

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

The terms of reference of the Nomination Committee are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make

recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Nomination Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

During the year, there is no change in the composition of the Board and one nomination committee meeting was held. During the meeting, the Nomination Committee members reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board, assessed the independence of independent non-executive Directors and reviewed the independent non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; reviewed the time required for a Director to perform his responsibilities; reviewed and assessed the independency status of an Independent Non-executive Director who has served the Board for more than nine years pursuant to the Listing Rules and reviewed and make recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 23 May 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2014.

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

POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information has been posted on the Company's website.

COMPANY SECRETARY

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 37 and 38 of this Annual Report.

Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2014, the fee of the annual audit amounted to HK\$1,630,000 whereas the fee for the interim review amounted to HK\$305,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

Internal Controls and Risk Management

The Company maintains a comprehensive and effective internal control system on income, capital and revenue expenditures. As part of internal audit, the Company has its own internal audit department and maintained a system of internal control, with manuals guiding internal controls on business operation and conducted audits of all branches of operations on a regular basis. The Internal Audit Department would recommend improvement and strengthening in the implementation of all internal control systems. The Company and the Directors will review the effectiveness of the internal control system from time to time to meet with the changing business operation environment.

During the year ended 31 December 2014, the Internal Audit Department has conducted a review of the effectiveness of the system of internal control on the areas of financial, operational and compliance controls and risk management functions.

The members of the Risk Management Committee met twice in February and July 2014 respectively. The senior management and the Internal Audit Manager had identified the relevant risks of the operational units and the control strategies of the Company and incorporated significant risk management and control strategies in the internal audit reports for the review of the Audit Committee members.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

Details of the individual attendance of each director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year ended 31 December 2014 and Annual General Meeting held on 23 May 2014 ("AGM") are set out in the following table:

| | BM | ACM | RCM | NCM | AGM |
|---|-----|-----|-----|-----|-----|
| BOARD OF DIRECTORS | | | | | |
| Executive Directors | | | | | |
| Dr. Lam Ko Yin, Colin (<i>Chairman of the Board and the Nomination Committee</i>) ^{^#} | 5/5 | N/A | 1/1 | 1/1 | 1/1 |
| Mr. Li Ning ^{^#} | 4/5 | N/A | 1/1 | 1/1 | 1/1 |
| Non-executive Directors | | | | | |
| Mr. Au Siu Kee, Alexander | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Lau Yum Chuen, Eddie | 5/5 | N/A | N/A | N/A | 0/1 |
| Dr. Lee Shau Kee | 0/5 | N/A | N/A | N/A | 0/1 |
| Mr. Wong Man Kong, Peter | 1/5 | N/A | N/A | N/A | 0/1 |
| Independent Non-executive Directors | | | | | |
| Mr. Ho Hau Chong, Norman (<i>Chairman of the Audit Committee</i>) ^{*^#} | 5/5 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Leung Hay Man ^{*^} | 5/5 | 2/2 | 1/1 | N/A | 1/1 |
| Ms. Wong Yu Pok, Marina ^{*^#} | 5/5 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Wu King Cheong (<i>Chairman of the Remuneration Committee</i>) ^{*^#} | 5/5 | 2/2 | 1/1 | 1/1 | 1/1 |

Note:

* Members of the Audit Committee

^ Members of the Remuneration Committee

Members of the Nomination Committee

COMMUNICATION WITH SHAREHOLDERS

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

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

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

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's external auditor maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 23 May 2014.

SHAREHOLDERS' RIGHTS

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

1. Procedures by which Shareholder(s) may request to call an extraordinary general meeting ("EGM")

Pursuant to the Articles of Association of the Company and the provisions of the Companies Ordinance, Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings of the Company (the "EGM Requisitionist(s)") can make a request to call an EGM.

The Board must call an EGM within 21 days after the date on which it becomes subject to the requirement and the EGM so called must be held on a date not more than 28 days after the date of the notice convening the EGM. If the Board does not do so, the EGM Requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene the EGM, provided that the EGM must be called for a date not more than 3 months after the date on which the Board becomes subject to the requirement to call the EGM. Any reasonable expenses incurred by the EGM Requisitionist(s) by reason of the Board's failure to duly convene the EGM shall be reimbursed to the EGM Requisitionist(s) by the Company.

2. Procedures for putting forward enquiries to the Board

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

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

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

SHAREHOLDERS' RIGHTS (Continued)

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

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

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

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

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

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

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

INVESTOR RELATIONS

During the year ended 31 December 2014, there has been changed in the Company's constitutional documents in view of the substantial number of amendments to the Company's previous articles of association for the purpose of, among others, bringing them in line with the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, which came into effect on 3 March 2014.



CORPORATE SOCIAL RESPONSIBILITY



Joint lunch party with underprivileged families at Harbour Cruise – Bauhinia



Participated in a charity walk 2014 held by Hong Kong Federation of Handicapped Youth

The Group values the importance of corporate social responsibility (“CSR”) and its impact on the community. The Group integrates CSR elements in its business activities and participates in or encourages its staff to take part in charitable activities to promote good corporate citizenship.

In 2014, our continuous commitments to community service and care of employees have been recognised by The Hong Kong Council of Social Service as a “10 years Plus Caring Company” for over ten consecutive years since 2003.

Our Staff Volunteer Team, formally established in 2008, served the community by participating in different community service events and charitable activities in the past years.

COMMUNITY SERVICE

The Group actively supports community service and encourages our staff to contribute their time and efforts in various charitable and volunteer services.

During the year, the Group organised several CSR events at Harbour Cruise – Bauhinia. In July, August and November 2014, our Staff Volunteer Team participated in three joint lunch parties for free ride on board Harbour Cruise – Bauhinia, with a total of around 1,000 kids and their parents from underprivileged families, co-organised by the Group with Wofoo Social Enterprises, The Chinese Gold & Silver Exchange Society Charity Fund (“CGSE Charity Fund”) and Pok Oi Hospital respectively. The Staff Volunteer Team and the facilitators of each of the above organisers arranged various amazing performances contributing to joyful parties. The Group had also continued to invite a group of 40 Mainland University students from China Candlelight of

Educational Fund for free ride and enjoy a buffet dinner on board Harbour Cruise – Bauhinia in August 2014.

The Group continues to support the events organised by the Community Chest. The Group encouraged staff to participate in “The Community Chest Skip Lunch Day”, “Dress Casual Day 2014” and “The Community Chest Green Day 2014” held in March, September and November 2014 respectively, for raising funds for several social welfare services supported by the Community Chest and also continued to encourage staff to act green and live green, take a greener form of transport and reduce the carbon footprint at workplace by saving energy and resources. In the above events, the Group offered its support by matching the funds raised by the employees.

Apart from donations, the Group encouraged staff to participate in a charity walk 2014 held by Hong Kong Federation of Handicapped Youth with their families members on 18 October 2014. All participants enjoyed this meaningful charity event.

In August 2014, the Group encouraged staff to support for donating blood and join the Red Cross Blood Donation Day organised by the Federation of Hong Kong Industries. Staff members voluntarily joined this meaningful event in order to spread their love to the one in need of blood.

Our volunteer team members visited the elderly at Pok Oi Hospital Mr. Ng Hung Mow Memorial Family Multiple Intelligences Centre (Tin Yiu) for distributing gifts to them in November 2014 and the people with disabilities at Wai Ji Christian Service Nam Shan Day Activity Centre before Christmas, which was held by the Hong Kong Federation of Youth Groups, for sharing love with them in December 2014.

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



Visited the elderly in Tin Yiu Estate



Presented the "Silver Sponsor" Certificate of Appreciation at "Let's Build Our Hong Kong Dream – Ten Thousand Big Bowl Feast for Winter Solstice" Event

COMMUNITY SERVICE (Continued)

Since November 2012 to present, the Harbour Cruise – Bauhinia of the Group, the Hong Kong Institute of Vocational Education ("IVE") and the Hong Kong Trade Development Council ("HKTDC") jointly launched a student attachment training programme, enabled more than 200 IVE students every year to apply what they learnt in real work place for acquisition of business and sales experience. They mounted their counters on board Harbour Cruise – Bauhinia, where they sold local original designs and brand products of the HKTDC Design Gallery to tourists from different countries and regions.

The Group has been awarded the "Family-Friendly Employer 2013/14" Certificate under the "Family-Friendly Employers Award Scheme" by Family Council of Home Affairs Bureau and "Happy Company 2014" Logo under the "Happiness-at-work Promotional Scheme 2014" organised by the Promoting Happiness Index Foundation, both in June 2014. The Group has also been awarded "Grand Caring Award (Enterprise Group)" under the Corporate Social Responsibility (CSR) Recognition Scheme – "Industry Cares" 2014 by the Federation of Hong Kong Industries in July 2014, in recognition of our significant efforts made in CSR and the society and employees in Hong Kong. In addition, the Group received the "Silver Sponsor" Certificate of Appreciation from CGSE Charity Fund, the organiser, at "Let's Build Our Hong Kong Dream – Ten Thousand Big Bowl Feast for Winter Solstice" Event in December 2014.

STAFF ACTIVITIES

The Group organised two staff outing activities in 2014 which received overwhelming support from the staff. On 16 March 2014, the Group organised a local day trip to Fu Kam Organic Farm, Tin Shui Wai Greenfield Garden, Hang Heung Cake Factory and have a seafood meal at Lau Fau Shan. Over 120 staff and their family members joined the trip and enjoyed the wonderful tour.

On 19 October 2014, the Group organised a day trip out of Hong Kong to Chimelong Ocean Kingdom and have a oyster feast dinner in Hengqin, Zhuhai. The trip was received with overwhelming success with more than 150 staff and their family members joined and enjoyed great time of the day.



A staff day trip at Chimelong Ocean Kingdom in Hengqin, Zhuhai



Pok Oi midday health talks

STAFF ACTIVITIES (Continued)

During the year, the Group invited some registered Chinese Medicine Practitioners from the Chinese Medicine Services of Pok Oi Hospital and organised a series of Pok Oi midday health talks, mainly on urban diseases and provided some precautionary methods to staff.

EMPLOYEES DEVELOPMENT

The Group provided various seminars and workshops to staff of different levels and positions. The seminars and workshops were organised by internal departments and external organisations to enhance the job-skills of the staff.

The Group provides sponsorship to employees to attend training courses organised by professional institutions from time to time to enhance their professional and technical knowledge. Since April 2010 to present, the Company has been awarded the title and logo of "Manpower Developer 1st" by Employees Retraining Board in recognition of our support to staff training and development in Hong Kong.

ENVIRONMENTAL AWARENESS

The Group continues to contribute to the preservation of the environment and its resources, minimising environmental impacts of our development projects by implementing an effective and safety management system, compliance to statutory requirements, maintaining consciousness of environmental protection and being considerate to neighborhood and passers-by. It has also been proactive in consideration of incorporating the latest environmental and energy efficient solutions and implementation of the Energy Management System. The Group encouraged its subsidiary

companies to contribute to the recycling of the food remains and waste to protect the environment. The Hongkong and Yaumati Ferry Company Limited and The Hong Kong Shipyard Limited are granted the "5 Years + Entrant and Green Participant" and the "3 Years + Entrant and Green Participant" respectively under the "Hang Seng Pan Pearl River Delta Environmental Awards 2013/14" which is jointly organised by the Federation of Hong Kong Industries and Hang Seng Bank in recognition of their contribution to environmental protection.

In order to express our concern on climate change and the impacts of extreme weather on the environment, the Company and its various subsidiary companies have strongly encouraged our staff to adopt a low-carbon lifestyle through the joining of "Earth Hour 2014" organised by World Wide Fund for Nature and the event of "Hong Kong No Air-con Night 2014" organised by Green Sense. We also encouraged our staff to support these events through our internal communications.

The Group engaged an energy consultant to conduct review of the Group's electrical system, air-conditioning system, mechanical ventilation system, lighting system, lift system, ship-repairing facilities, energy efficiency improvement, carbon management programmes, and other associated improvement projects for carbon audit management, energy preservation and enhancement measures to protect the environment, reduce energy consumption and foster the sustainable growth of the Group in future.

To support the promotion of auditing and disclosure of carbon footprints in Hong Kong, the Company is one of the participants of the Carbon Footprint Repository for Listed Companies in Hong Kong launched by the Government in December 2014. A Certificate of Commendation has been presented to the Company with appreciation for the participation and contribution to the carbon footprint disclosure under this project.



Launching Ceremony cum Certificate Presentation of Carbon Footprint Repository for Listed Companies in Hong Kong

INDEPENDENT AUDITOR'S REPORT



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

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OPINION

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

KPMG

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

18 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-----------|------------------|------------------|
| Turnover | 3(a) | 3,506,967 | 440,241 |
| Cost of sales | | (2,246,278) | (230,822) |
| | | 1,260,689 | 209,419 |
| Other revenue | 3(a) & 4 | 48,967 | 57,293 |
| Other net income | 4 | 1,513 | 125,872 |
| Valuation gains on investment properties | 3(d) & 13 | 141,676 | 93,100 |
| Impairment loss on available-for-sale securities | 16 | (15,790) | (25,481) |
| Selling and marketing expenses | | (115,799) | (56,839) |
| Administrative expenses | | (43,933) | (47,102) |
| Other operating expenses | | (53,992) | (44,064) |
| Profit from operations | 3(b) | 1,223,331 | 312,198 |
| Share of profits less losses of associates | | 818 | 999 |
| Profit before taxation | 5 | 1,224,149 | 313,197 |
| Taxation | 6(a) | (192,738) | (19,760) |
| Profit attributable to equity shareholders of the Company | 9 | 1,031,411 | 293,437 |
| Earnings per share | | | |
| – Basic and diluted | 12 | \$2.89 | \$0.82 |

The notes on pages 47 to 112 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------|-------------------------|-----------------------|
| Profit attributable to equity shareholders of the Company | | <u>1,031,411</u> | <u>293,437</u> |
| Other comprehensive income for the year (after tax and reclassification adjustments) | 11 | | |
| Item that will not be reclassified to profit or loss: | | | |
| Remeasurement of employee benefits assets | | (1,107) | 976 |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Available-for-sale securities: | | | |
| net movement in the securities revaluation reserve | | <u>54,479</u> | <u>(122,452)</u> |
| Other comprehensive income for the year | | <u>53,372</u> | <u>(121,476)</u> |
| Total comprehensive income attributable to equity shareholders of the Company | | <u><u>1,084,783</u></u> | <u><u>171,961</u></u> |

The notes on pages 47 to 112 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | | 2014 | | 2013 | |
|--|-------|------------------|------------------|------------------|------------------|
| | Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | | |
| Fixed assets | 13 | | | | |
| – Investment properties | | | 1,880,200 | | 1,251,900 |
| – Other property, plant and equipment | | | 66,631 | | 69,692 |
| – Interest in leasehold land | | | 44,507 | | 45,876 |
| | | | <u>1,991,338</u> | | <u>1,367,468</u> |
| Interest in associates | 15 | | 13,624 | | 16,643 |
| Available-for-sale securities | 16 | | 521,165 | | 400,788 |
| Employee benefits assets | 17(a) | | 1,420 | | 4,107 |
| Deferred tax assets | 22(b) | | 5,860 | | 14,527 |
| | | | <u>2,533,407</u> | | <u>1,803,533</u> |
| Current assets | | | | | |
| Inventories | 18(a) | 1,084,599 | | 2,882,440 | |
| Trade and other receivables | 19 | 893,574 | | 1,931,169 | |
| Cash and bank balances | 20 | 2,530,827 | | 1,759,565 | |
| Tax recoverable | 22(a) | 35,412 | | 36,557 | |
| | | <u>4,544,412</u> | | <u>6,609,731</u> | |
| Current liabilities | | | | | |
| Trade and other payables | 21 | 1,027,561 | | 3,157,737 | |
| Tax payable | 22(a) | 188,298 | | 40,281 | |
| | | <u>1,215,859</u> | | <u>3,198,018</u> | |
| Net current assets | | | <u>3,328,553</u> | | <u>3,411,713</u> |
| Total assets less current liabilities | | | <u>5,861,960</u> | | <u>5,215,246</u> |
| Non-current liability | | | | | |
| Deferred tax liabilities | 22(b) | | 38,929 | | 28,093 |
| NET ASSETS | | | <u>5,823,031</u> | | <u>5,187,153</u> |



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2014

| | Note | 2014 | | 2013 | |
|--|-------|----------|-------------------------|----------|-------------------------|
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| CAPITAL AND RESERVES | | | | | |
| Share capital: nominal value | | | — | | 356,274 |
| Other statutory capital reserves | | | — | | <u>1,398,527</u> |
| Share capital and other statutory capital reserves | 23(b) | | 1,754,801 | | 1,754,801 |
| Other reserves | | | <u>4,068,230</u> | | <u>3,432,352</u> |
| TOTAL EQUITY | | | <u>5,823,031</u> | | <u>5,187,153</u> |

Approved and authorised for issue by the board of directors on 18 March 2015.

Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 47 to 112 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | Note | 2014 | | 2013 | |
|--|-------|------------------|--------------------|----------------|------------------|
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | | |
| Interest in subsidiaries | 14 | | 4,496,866 | | 4,461,835 |
| Interest in associates | 15 | | 2,698 | | 2,698 |
| Available-for-sale securities | 16 | | — | | 45 |
| Employee benefits assets | 17(a) | | 1,420 | | 4,107 |
| | | | <u>4,500,984</u> | | <u>4,468,685</u> |
| Current assets | | | | | |
| Trade and other receivables | 19 | 2,412 | | 2,476 | |
| Cash and bank balances | 20 | 1,695 | | 1,081 | |
| | | <u>4,107</u> | | <u>3,557</u> | |
| Current liabilities | | | | | |
| Amounts due to subsidiaries | 14 | 1,340,814 | | 869,969 | |
| Trade and other payables | 21 | 8,003 | | 7,002 | |
| | | <u>1,348,817</u> | | <u>876,971</u> | |
| Net current liabilities | | | | | |
| | | | <u>(1,344,710)</u> | | <u>(873,414)</u> |
| NET ASSETS | | | | | |
| | | | <u>3,156,274</u> | | <u>3,595,271</u> |
| CAPITAL AND RESERVES | | | | | |
| | 23(a) | | | | |
| Share capital: nominal value | | | — | | 356,274 |
| Other statutory capital reserves | | | — | | 1,398,527 |
| Share capital and other statutory capital reserves | 23(b) | | 1,754,801 | | 1,754,801 |
| Other reserves | | | 1,401,473 | | 1,840,470 |
| TOTAL EQUITY | | | | | |
| | | | <u>3,156,274</u> | | <u>3,595,271</u> |

Approved and authorised for issue by the board of directors on 18 March 2015.

Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 47 to 112 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | Note | Share capital HK\$'000 (Note 23(b)) | Share premium HK\$'000 (Note 23(c)) | Securities revaluation reserve HK\$'000 (Note 23(c)) | Other capital reserves HK\$'000 (Note 23(c)) | Retained profits HK\$'000 | Total HK\$'000 |
|---|-------|---|---|--|--|------------------------------|-------------------|
| Balance at 1 January 2013 | | 356,274 | 1,398,527 | 163,756 | 605 | 3,224,288 | 5,143,450 |
| Changes in equity for 2013: | | | | | | | |
| Profit for the year | | — | — | — | — | 293,437 | 293,437 |
| Other comprehensive income | | — | — | (122,452) | — | 976 | (121,476) |
| Total comprehensive income | | — | — | (122,452) | — | 294,413 | 171,961 |
| Dividends approved in respect of the previous year | 10 | — | — | — | — | (92,631) | (92,631) |
| Dividends declared in respect of the current year | 10 | — | — | — | — | (35,627) | (35,627) |
| Balance at 31 December 2013 and 1 January 2014 | | 356,274 | 1,398,527 | 41,304 | 605 | 3,390,443 | 5,187,153 |
| Changes in equity for 2014: | | | | | | | |
| Profit for the year | | — | — | — | — | 1,031,411 | 1,031,411 |
| Other comprehensive income | | — | — | 54,479 | — | (1,107) | 53,372 |
| Total comprehensive income | | — | — | 54,479 | — | 1,030,304 | 1,084,783 |
| Dividends approved in respect of the previous year | 10 | — | — | — | — | (92,631) | (92,631) |
| Dividends declared in respect of the current year | 10 | — | — | — | — | (356,274) | (356,274) |
| Transition to no-par value regime on 3 March 2014 | 23(b) | 1,398,527 | (1,398,527) | — | — | — | — |
| Balance at 31 December 2014 | | 1,754,801 | — | 95,783 | 605 | 3,971,842 | 5,823,031 |

The notes on pages 47 to 112 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

| | Note | 2014 | | 2013 | |
|--|------|-------------|------------------|-------------|------------------|
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Operating activities | | | | | |
| Profit before taxation | | | 1,224,149 | | 313,197 |
| Adjustments for: | | | | | |
| Depreciation | | 5,960 | | 6,059 | |
| Amortisation of leasehold land premium | | 1,369 | | 1,369 | |
| Impairment losses/(reversal of impairment losses) on trade and other receivables | | 200 | | (24) | |
| Impairment loss on available-for-sale securities | | 15,790 | | 25,481 | |
| Impairment loss on amount due from an associate | | — | | 324 | |
| Net profit on sale of available-for-sale securities | | — | | (104,442) | |
| Net profit on disposal of investment properties | | — | | (2,250) | |
| Net profit on disposal of unlisted investment | | (658) | | — | |
| Net profit on disposal of other property, plant and equipment | | — | | (18,153) | |
| Valuation gains on investment properties | | (141,676) | | (93,100) | |
| Interest income | | (45,354) | | (40,473) | |
| Dividend income from listed investments | | (15,376) | | (23,018) | |
| Share of profits less losses of associates | | (818) | | (999) | |
| | | | <u>(180,563)</u> | | <u>(249,226)</u> |
| Operating profit before changes in working capital | | | 1,043,586 | | 63,971 |
| Decrease in employee benefits assets | | 1,580 | | 1,671 | |
| Decrease/(increase) in inventories | | 1,603,083 | | (337,287) | |
| Decrease/(increase) in trade and other receivables | | 1,034,694 | | (1,711,815) | |
| (Decrease)/increase in trade and other payables | | (2,422,042) | | 2,696,194 | |
| | | | <u>217,315</u> | | <u>648,763</u> |
| Cash generated from operations | | | 1,260,901 | | 712,734 |
| Profits tax paid | | (24,073) | | (25,009) | |
| | | | <u>(24,073)</u> | | <u>(25,009)</u> |
| Net cash generated from operating activities | | | <u>1,236,828</u> | | <u>687,725</u> |



CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2014

| | Note | 2014 | | 2013 | |
|---|-------|-----------|------------------|-----------|------------------|
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Investing activities | | | | | |
| Interest received | | 47,490 | | 36,945 | |
| Payment for purchase of fixed assets | | (2,899) | | (2,063) | |
| Payment for purchase of available-for-sale securities | | (81,375) | | (191,285) | |
| Proceeds from disposal of available-for-sale securities | | — | | 447,526 | |
| Net repayment from associates | | 2,057 | | 5,233 | |
| Proceeds from disposal of investment properties | | — | | 26,250 | |
| Proceeds from disposal of unlisted investment | | 703 | | — | |
| Proceeds from disposal of fixed assets | | — | | 18,189 | |
| Dividends received from listed investments | | 15,803 | | 21,283 | |
| Dividends received from an associate | | 1,560 | | 990 | |
| Net cash (used in)/generated from investing activities | | | (16,661) | | 363,068 |
| Financing activity | | | | | |
| Dividends paid | | (448,905) | | (128,258) | |
| Net cash used in financing activity | | | (448,905) | | (128,258) |
| Net increase in cash and cash equivalents | | | 771,262 | | 922,535 |
| Cash and cash equivalents at 1 January | | | 1,759,565 | | 837,030 |
| Cash and cash equivalents at 31 December | 20(a) | | 2,530,827 | | 1,759,565 |

The notes on pages 47 to 112 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

- investment properties (see note 1(g)); and
- financial instruments classified as available-for-sale securities (see note 1(f)).

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

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

(d) Subsidiaries

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

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

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

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

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

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

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

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



1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities

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

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

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

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

(g) Investment properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment

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

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

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

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

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

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

(i) Leased assets

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) Classification of assets leased to the Group

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

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

(ii) Operating lease charges

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

(i) Trading stocks

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

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

(ii) Spare parts and consumables

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

(iii) Work in progress

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

(iv) Property development

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

– Properties under development for sale

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

– Completed properties held for sale

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations (Continued)

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

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

(p) Income tax

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) **Income tax** (Continued)

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

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

(i) Sale of properties

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

(ii) Rental income from operating leases

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

(iii) Sale of goods

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

(iv) Ferry operations and related services

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

(v) Travel business

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

(vi) Interest income

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

(vii) Dividends

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

(s) Translation of foreign currencies

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in note (t)(a).
 - (vii) A person identified in note (t)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(u) Segment reporting

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

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 17 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

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

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

(b) Recognition of deferred tax assets

At 31 December 2014, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK\$34,794,000 (2013: HK\$95,261,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

(c) Impairment of interest in subsidiaries

In considering the impairment losses that may be required for the Company's interest in subsidiaries, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by these assets are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of the subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT INFORMATION

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

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

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

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

Segment results

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT INFORMATION (Continued)

The segment information for the years ended 31 December 2014 and 2013 about these reportable segments is presented below:

(a) Segment revenue

| | Total revenue | | Elimination of inter-segment revenue | | Revenue from external customers | |
|--|------------------|------------------|--------------------------------------|------------------|---------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Property development | 3,186,610 | 110,156 | — | — | 3,186,610 | 110,156 |
| Property investment | 75,215 | 69,811 | 60 | 74 | 75,155 | 69,737 |
| Ferry, shipyard and related operations | 137,644 | 137,035 | 3,010 | 2,132 | 134,634 | 134,903 |
| Travel operation | 118,968 | 132,611 | 428 | 913 | 118,540 | 131,698 |
| Securities investment | 16,147 | 36,326 | — | — | 16,147 | 36,326 |
| Others | 86,432 | 68,043 | 61,584 | 53,329 | 24,848 | 14,714 |
| | <u>3,621,016</u> | <u>553,982</u> | <u>65,082</u> | <u>56,448</u> | <u>3,555,934</u> | <u>497,534</u> |
| Analysed by: | | | | | | |
| Turnover | | | | | 3,506,967 | 440,241 |
| Other revenue | | | | | 48,967 | 57,293 |
| | | | | | <u>3,555,934</u> | <u>497,534</u> |

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

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

3 SEGMENT INFORMATION (Continued)

(b) Segment result

| | Reportable segment profit | |
|--|---------------------------|----------------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Property development | 1,023,352 | 29,336 |
| Property investment (note 3(d)) | 176,186 | 131,579 |
| Ferry, shipyard and related operations | 8,228 | 34,004 |
| Travel operation | (8,130) | (3,329) |
| Securities investment | (293) | 114,274 |
| Others (note 3(e)) | 23,988 | 6,334 |
| | <u>1,223,331</u> | <u>312,198</u> |

(c) Reconciliation of reportable segment profit

| | 2014 | 2013 |
|--|------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Reportable segment profit derived from external customers | 1,223,331 | 312,198 |
| Share of profits less losses of associates | <u>818</u> | <u>999</u> |
| Profit before taxation in the consolidated statement of profit or loss | <u>1,224,149</u> | <u>313,197</u> |

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK\$141,676,000 (2013: HK\$93,100,000).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT INFORMATION (Continued)

(f) Other segment information

| | Depreciation and amortisation | | Impairment loss/ (reversal of impairment losses) | | Capital expenditure incurred | |
|--|-------------------------------|--------------|--|---------------|------------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Property investment | 6 | 13 | — | (24) | 486,624 | 10 |
| Ferry, shipyard and related operations | 6,465 | 6,534 | (50) | — | 2,301 | 1,619 |
| Travel operation | 171 | 127 | 250 | — | 326 | 291 |
| Securities investment | — | — | 15,790 | 25,481 | — | — |
| Others | 687 | 754 | — | 324 | 272 | 143 |
| | <u>7,329</u> | <u>7,428</u> | <u>15,990</u> | <u>25,781</u> | <u>489,523</u> | <u>2,063</u> |

4 OTHER REVENUE AND NET INCOME

| | 2014 | 2013 |
|---|---------------|----------------|
| | HK\$'000 | HK\$'000 |
| Other revenue | | |
| Management fee income | 11,149 | 10,216 |
| Air-conditioning charges income | 7,891 | 7,197 |
| Other interest income | 20,874 | 26,281 |
| Other income | 9,053 | 13,599 |
| | <u>48,967</u> | <u>57,293</u> |
| Other net income | | |
| Net profit on sale of available-for-sale securities | — | 104,442 |
| Net profit on disposal of other property, plant and equipment | — | 18,153 |
| Net exchange loss | (738) | (45) |
| Net profit on disposal of investment properties | — | 2,250 |
| Net profit on disposal of unlisted investment | 658 | — |
| Income from sale of spare parts | 771 | 501 |
| Sundry income | 822 | 571 |
| | <u>1,513</u> | <u>125,872</u> |

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Expense recognised in respect of defined benefit retirement plan (<i>note 17(a)(v)</i>) | 1,580 | 1,671 |
| Contributions to defined contribution retirement plan | 2,725 | 2,658 |
| Total retirement costs | 4,305 | 4,329 |
| Salaries, wages and other benefits | 88,534 | 82,144 |
| | <u>92,839</u> | <u>86,473</u> |

(b) Other items:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Amortisation of leasehold land premium | 1,369 | 1,369 |
| Depreciation | 5,960 | 6,059 |
| Cost of inventories (<i>note 18(b)</i>) | 2,052,562 | 43,061 |
| Auditor's remuneration | | |
| – audit services | 1,630 | 1,608 |
| – other services | 305 | 283 |
| Operating lease charges: minimum lease payments – property rentals | 5,707 | 4,971 |
| Impairment losses/(reversal of impairment losses) on trade and other receivables | 200 | (24) |
| Impairment loss on amount due from an associate | — | 324 |
| Rentals receivable from investment properties less direct outgoings of HK\$29,919,000 (2013: HK\$24,770,000) | (25,322) | (27,006) |
| Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$982,000 (2013: HK\$973,000) | (5,250) | (7,804) |
| Interest income | (45,354) | (40,473) |
| Dividend income from listed investments | (15,376) | (23,018) |
| | <u>(15,376)</u> | <u>(23,018)</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Current tax — Hong Kong Profits Tax | | |
| Provision for the year | 161,500 | 19,920 |
| Under/(over)-provision in respect of prior years | 11,735 | (221) |
| | <u>173,235</u> | <u>19,699</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 19,503 | 61 |
| | <u>192,738</u> | <u>19,760</u> |

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Government of Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2013–14 subject to a maximum reduction of HK\$10,000 for each business (2013: the same statutory concession was granted for the year of assessment 2012–13 and was taken into account in calculating the provision for 2013).

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Profit before taxation | <u>1,224,149</u> | <u>313,197</u> |
| Notional tax on profit before taxation, calculated at 16.5% | 201,985 | 51,678 |
| Tax effect of non-deductible expenses | 4,337 | 6,798 |
| Tax effect of non-taxable income | (32,556) | (40,968) |
| Tax effect of current year's tax losses not recognised | 2,141 | 1,116 |
| Tax effect of prior years' unrecognised tax losses utilised this year | (218) | (78) |
| Tax effect of temporary differences on fixed assets | 5,314 | 1,435 |
| Under/(over)-provision in respect of prior years | 11,735 | (221) |
| Actual tax expense | <u>192,738</u> | <u>19,760</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and Chief Executive's remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) and Appendix 16 to the Main Board Listing Rules are as follows:

| | Directors' fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | 2014 Total HK\$'000 |
|--|-----------------------------|--|---------------------------|
| Executive directors | | | |
| Dr. Lam Ko Yin, Colin | 200 | 9 | 209 |
| Mr. Li Ning | 150 | 9 | 159 |
| Non-executive directors | | | |
| Mr. Au Siu Kee, Alexander | 100 | 9 | 109 |
| Mr. Lau Yum Chuen, Eddie | 100 | 9 | 109 |
| Dr. Lee Shau Kee | 100 | 9 | 109 |
| Mr. Wong Man Kong, Peter | 100 | 9 | 109 |
| Independent non-executive directors | | | |
| Mr. Ho Hau Chong, Norman | 300 | 9 | 309 |
| Mr. Leung Hay Man | 300 | 9 | 309 |
| Ms. Wong Yu Pok, Marina | 300 | 9 | 309 |
| Mr. Wu King Cheong | 300 | 9 | 309 |
| | <u>1,950</u> | <u>90</u> | <u>2,040</u> |

| | Directors' fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | 2013 Total HK\$'000 |
|--|-----------------------------|--|---------------------------|
| Executive directors | | | |
| Dr. Lam Ko Yin, Colin | 200 | — | 200 |
| Mr. Li Ning | 150 | — | 150 |
| Non-executive directors | | | |
| Mr. Au Siu Kee, Alexander | 100 | — | 100 |
| Mr. Lau Yum Chuen, Eddie | 100 | — | 100 |
| Dr. Lee Shau Kee | 100 | — | 100 |
| Mr. Wong Man Kong, Peter | 100 | — | 100 |
| Independent non-executive directors | | | |
| Mr. Ho Hau Chong, Norman | 300 | — | 300 |
| Mr. Leung Hay Man | 300 | — | 300 |
| Ms. Wong Yu Pok, Marina | 300 | — | 300 |
| Mr. Wu King Cheong | 300 | — | 300 |
| | <u>1,950</u> | <u>—</u> | <u>1,950</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

| | Salaries and other emoluments | |
|---|-------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Group General Manager Dr. Ho Chi Shing, David | <u>2,888</u> | <u>2,761</u> |

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2013: one) is a chief executive whose emoluments is disclosed in note 7. The aggregate of the emoluments in respect of the remaining four (2013: four) individuals are as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------------|------------------|------------------|
| Salaries and other emoluments | 3,449 | 4,182 |
| Retirement scheme contributions | <u>131</u> | <u>132</u> |
| | <u>3,580</u> | <u>4,314</u> |

The emoluments of the four (2013: four) individuals with the highest emoluments are within the following bands:

| HK\$ | 2014 Number of individuals | 2013 Number of individuals |
|---------------------|----------------------------------|----------------------------------|
| 1,000,000 or below | 3 | 3 |
| 1,000,001–1,500,000 | 1 | — |
| 1,500,001–2,000,000 | <u>—</u> | <u>1</u> |

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(b) Emoluments of senior management

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

| <i>HK\$</i> | 2014 <i>Number of</i> <i>individuals</i> | 2013 <i>Number of</i> <i>individuals</i> |
|-------------------|---|--|
| 500,001–1,000,000 | <u>2</u> | <u>2</u> |

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK\$11,015,000 (2013: loss of HK\$4,802,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 10.

10 DIVIDENDS

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interim dividend declared and paid of HK10 cents (2013: HK10 cents) per ordinary share | 35,627 | 35,627 |
| First special dividend declared and paid of HK90 cents (2013: Nil) per ordinary share | 320,647 | — |
| Final dividend proposed after the end of the reporting period of HK26 cents (2013: HK26 cents) per ordinary share | 92,631 | 92,631 |
| Second special dividend proposed after the end of the reporting period of HK30 cents (2013: Nil) per ordinary share | <u>106,882</u> | — |
| | <u>555,787</u> | <u>128,258</u> |

The final and second special dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DIVIDENDS (Continued)

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2013: HK26 cents) per ordinary share | 92,631 | 92,631 |

11 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Remeasurement of employee benefits assets | (1,107) | 976 |
| Available-for-sale securities | | |
| Changes in fair value recognised during the year | 38,689 | (40,437) |
| Reclassification adjustments for amounts transferred to profit or loss: | | |
| – gains on disposal | — | (107,496) |
| – impairment losses | 15,790 | 25,481 |
| Net movement in the securities revaluation reserve during the year recognised in other comprehensive income | 54,479 | (122,452) |
| Other comprehensive income | 53,372 | (121,476) |

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,031,411,000 (2013: HK\$293,437,000) and 356,273,883 (2013: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2014 and 2013, therefore diluted earnings per share are the same as basic earnings per share for both years.

13 FIXED ASSETS

The Group

| | Buildings <i>HK\$'000</i> | Ferry vessels and other crafts <i>HK\$'000</i> | Machinery, furniture and others <i>HK\$'000</i> | Sub-total <i>HK\$'000</i> | Investment properties <i>HK\$'000</i> | Interest in leasehold land <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|------------------------------|---|--|------------------------------|---|---|--------------------------|
| Cost or valuation: | | | | | | | |
| At 1 January 2013 | 70,220 | 131,643 | 278,004 | 479,867 | 1,182,800 | 159,407 | 1,822,074 |
| Additions | 57 | 519 | 1,487 | 2,063 | — | — | 2,063 |
| Disposals | (69) | (14,085) | (266) | (14,420) | (24,000) | — | (38,420) |
| Valuation gains | — | — | — | — | 93,100 | — | 93,100 |
| At 31 December 2013 | <u>70,208</u> | <u>118,077</u> | <u>279,225</u> | <u>467,510</u> | <u>1,251,900</u> | <u>159,407</u> | <u>1,878,817</u> |
| Representing: | | | | | | | |
| Cost | 70,208 | 118,077 | 279,225 | 467,510 | — | 159,407 | 626,917 |
| Valuation | — | — | — | — | 1,251,900 | — | 1,251,900 |
| | <u>70,208</u> | <u>118,077</u> | <u>279,225</u> | <u>467,510</u> | <u>1,251,900</u> | <u>159,407</u> | <u>1,878,817</u> |
| Accumulated amortisation and depreciation: | | | | | | | |
| At 1 January 2013 | 59,217 | 128,076 | 218,850 | 406,143 | — | 112,162 | 518,305 |
| Charge for the year | 584 | 681 | 4,794 | 6,059 | — | 1,369 | 7,428 |
| Written back on disposals | (69) | (14,085) | (230) | (14,384) | — | — | (14,384) |
| At 31 December 2013 | <u>59,732</u> | <u>114,672</u> | <u>223,414</u> | <u>397,818</u> | <u>—</u> | <u>113,531</u> | <u>511,349</u> |
| Net book value: | | | | | | | |
| At 31 December 2013 | <u>10,476</u> | <u>3,405</u> | <u>55,811</u> | <u>69,692</u> | <u>1,251,900</u> | <u>45,876</u> | <u>1,367,468</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 FIXED ASSETS (Continued)

The Group (Continued)

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

13 FIXED ASSETS (Continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

| | Fair value measurements as at 31 December 2014 categorised into | | | |
|--|--|---------------------|---------------------|---------------------|
| | Fair value at 31 December 2014 HK\$'000 | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 |
| | The Group Recurring fair value measurement Investment properties | 1,880,200 | — | — |

| | Fair value measurements as at 31 December 2013 categorised into | | | |
|--|--|---------------------|---------------------|---------------------|
| | Fair value at 31 December 2013 HK\$'000 | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 |
| | The Group Recurring fair value measurement Investment properties | 1,251,900 | — | — |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 FIXED ASSETS (Continued)

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

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation process

All the Group's investment properties were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

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

Below is a table which presents the significant unobservable inputs:

Income capitalisation approach

| | Range of capitalisation rates | | Range of occupancy rates | |
|----------|-------------------------------|---------------------|--------------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | % | % | % | % |
| Retail | 4.25% – 5% | 4.25% – 5.5% | 56% – 100% | 60% – 100% |
| Car park | <u>4.75% – 6.5%</u> | <u>4.75% – 6.5%</u> | <u>57% – 99%</u> | <u>76% – 100%</u> |

Market comparison approach

| | Market unit sales price | |
|--------|-------------------------|------------------|
| | 2014 | 2013 |
| | HK\$/sq. ft. | HK\$/sq. ft. |
| Godown | <u>420 – 450</u> | <u>424 – 429</u> |

13 FIXED ASSETS (Continued)

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

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

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

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------------|------------------|------------------|
| Investment properties | | |
| At 1 January | 1,251,900 | 1,182,800 |
| Transfer from inventories | 486,624 | — |
| Disposals | — | (24,000) |
| Valuation gains | 141,676 | 93,100 |
| At 31 December | <u>1,880,200</u> | <u>1,251,900</u> |

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

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

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

| | The Group | |
|--------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Medium-term leases | <u>1,936,124</u> | <u>1,308,252</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 FIXED ASSETS (Continued)

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

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

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------------|------------------|------------------|
| Within 1 year | 36,680 | 34,752 |
| After 1 year but within 5 years | 30,414 | 21,407 |
| | <u>67,094</u> | <u>56,159</u> |

14 INTEREST IN SUBSIDIARIES

| | The Company | |
|-------------------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Unlisted shares, at cost | 166,888 | 166,888 |
| Amounts due from subsidiaries | 5,014,222 | 4,988,232 |
| Less: Impairment losses | (684,244) | (693,285) |
| | <u>4,496,866</u> | <u>4,461,835</u> |

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

14 INTEREST IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2014, which materially affect the results, assets or liabilities of the Group, are as follows:

| | Particulars of issued and paid up capital | Proportion of ownership interests | | Principal activities |
|---|---|--------------------------------------|----------------------------|--|
| | | Held by the Company | Held by subsidiaries | |
| HYFCO Development Company, Limited | 1,200,003 shares | 100% | – | Property investment |
| The Hong Kong Shipyard Limited | 170,000 shares | 100% | – | Shipbuilding and repairs |
| HYFCO Trading and Investments Company Limited | 2 shares | 100% | – | Trading |
| HYFCO Estate Management & Agency Limited | 2,500,000 shares | 100% | – | Property management |
| HYFCO Travel Agency Limited | 3,500,000 shares | 100% | – | Travel business |
| The Hongkong and Yaumati Ferry Company Limited | 1,000,000 shares | 100% | – | Ferry operations |
| Galaxy Hotel Management Company Limited | 1,350 shares | – | 100% | Floating restaurant business |
| Genius Star Development Limited | 2 shares | 100% | – | Property investment |
| Pico International Limited | 6,000,000 shares | 100% | – | Investment holding |
| Hong Kong Ferry Finance Company Limited | 2 shares | 100% | – | Group financing |
| Thommen Limited | 2 shares | 100% | – | Investment holding |
| Lenfield Limited | 2 shares | 100% | – | Property development, investment and financing |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INTEREST IN SUBSIDIARIES (Continued)

| | Particulars of issued and paid up capital | Proportion of ownership interests | | Principal activities |
|---------------------------------|---|-----------------------------------|----------------------|--|
| | | Held by the Company | Held by subsidiaries | |
| HKF Property Investment Limited | 2 shares | 100% | – | Property investment |
| Join Galaxy Limited | 2 shares | – | 100% | Property financing |
| Merry World Assets Limited | 50,000 shares | 100% | – | Investment holding |
| Jet Legend Limited | 1 share | 100% | – | Property development |
| World Light Limited | 1 share | 100% | – | Property development, investment and financing |
| Well Dynamic Limited | 1 share | 100% | – | Property development and financing |

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

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

15 INTEREST IN ASSOCIATES

| | The Group | | The Company | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Share of net assets | 5,442 | 5,494 | — | — |
| Amounts due from associates | 14,976 | 17,943 | 9,492 | 9,492 |
| | 20,418 | 23,437 | 9,492 | 9,492 |
| Less: Impairment loss | (6,794) | (6,794) | (6,794) | (6,794) |
| | 13,624 | 16,643 | 2,698 | 2,698 |

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2013: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 28(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are not expected to be recovered within one year.

Details of the associates at 31 December 2014 are as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | 5,442 | 5,494 |
| Aggregate amounts of the Group's share of those associates' | | |
| Profit for the year | 818 | 999 |
| Total comprehensive income | 818 | 999 |

16 AVAILABLE-FOR-SALE SECURITIES

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Unlisted shares | — | 45 | — | 45 |
| Listed debt securities outside Hong Kong | 31,613 | — | — | — |
| Listed equity securities | | | | |
| – in Hong Kong | 435,668 | 337,875 | — | — |
| – outside Hong Kong | 53,884 | 62,868 | — | — |
| | 489,552 | 400,743 | — | — |
| | 521,165 | 400,788 | — | 45 |
| Market value of listed securities at 31 December | 521,165 | 400,743 | — | — |
| Fair value of individually impaired available-for-sale securities | 182,551 | 103,198 | — | — |

16 AVAILABLE-FOR-SALE SECURITIES (Continued)

As at 31 December 2014, certain of the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK\$15,790,000 (2013: HK\$25,481,000) on these investments were recognised in profit or loss in accordance with the policy set out in note 1(j)(i).

17 EMPLOYEE BENEFITS ASSETS

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("ORSO"), which covers 13.6% (2013: 14.6%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2014 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan were fully (2013: 100%) covered by the plan assets held by the trustees.

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

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

| | The Group and the Company | |
|--|--------------------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Present value of wholly or partly funded obligations | (40,434) | (38,973) |
| Fair value of plan assets | 41,854 | 43,080 |
| | <u>1,420</u> | <u>4,107</u> |

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

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

The Group expects to pay HK\$40,000 in contributions to defined benefit retirement plan in 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

| | The Group and the Company | |
|-------------------|------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Equity securities | 32.5% | 30.8% |
| Fixed deposits | 67.5% | 69.2% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

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

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

| | The Group and the Company | |
|---|------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| At 1 January | 38,973 | 41,746 |
| Remeasurements: | | |
| – Actuarial losses/(gains) arising from changes in financial assumptions | 403 | (1,544) |
| – Actuarial losses arising from changes in experience | 443 | 709 |
| | <u>846</u> | <u>(835)</u> |
| Current service cost | 1,336 | 1,369 |
| Interest cost | 615 | 199 |
| Benefits paid by the plan | <u>(1,336)</u> | <u>(3,506)</u> |
| At 31 December | <u>40,434</u> | <u>38,973</u> |

17 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(iv) Movements in plan assets:

| | The Group and the Company | |
|--|---------------------------|----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| At 1 January | 43,080 | 46,548 |
| Interest income | 681 | 223 |
| Return (less)/greater than discount rate | (261) | 141 |
| Benefits paid by the plan | (1,336) | (3,506) |
| Administrative expenses paid | (310) | (326) |
| At 31 December | 41,854 | 43,080 |

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

| | 2014 | 2013 |
|--|----------|----------|
| | HK\$'000 | HK\$'000 |
| Current service cost | 1,336 | 1,369 |
| Net income on net defined benefit asset | (66) | (24) |
| Administrative expenses paid | 310 | 326 |
| Total amounts recognised in profit or loss | 1,580 | 1,671 |
| Actuarial losses/(gains) | 846 | (835) |
| Return on plan assets, excluding interest income | 261 | (141) |
| Total amounts recognised in other comprehensive income | 1,107 | (976) |
| Total defined benefit costs | 2,687 | 695 |

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

| | 2014 | 2013 |
|-------------------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Administrative expenses | 1,580 | 1,671 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

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

| | The Group and the Company | |
|-------------------------|------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Discount rate | 1.4% | 1.6% |
| Future salary increases | | |
| – 2014 | 3.5% | 3.5% |
| – 2015 and onwards | 3.5% | 3.5% |

The below analysis shows how the defined benefit asset as at 31 December 2014 would have increased/ (decreased) as a result of 0.25% change in the significant actuarial assumptions:

| | Increase in 0.25% | | Decrease in 0.25% | |
|-------------------------|----------------------|------------------|----------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Discount rate | (502) | (543) | 516 | 558 |
| Future salary increases | 434 | 475 | (425) | (465) |

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

(b) Defined contribution retirement plan

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 INVENTORIES

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Property development | | |
| Properties under development for sale | 842,566 | 2,821,770 |
| Completed properties held for sale | 227,958 | 48,632 |
| | 1,070,524 | 2,870,402 |
| Other operations | | |
| Trading stocks | 898 | 899 |
| Spare parts and consumables | 1,723 | 2,221 |
| Work in progress | 11,454 | 8,918 |
| | 14,075 | 12,038 |
| | 1,084,599 | 2,882,440 |

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

The amount of properties under development for sale expected to be completed after more than one year is HK\$233,498,000 (2013: HK\$231,864,000). All of the other inventories are expected to be recovered within one year.

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Carrying amount of inventories sold | 2,052,562 | 43,061 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Trade receivables | 180,762 | 206,099 | — | — |
| Less: allowance for doubtful debts | — | — | — | — |
| | <u>180,762</u> | <u>206,099</u> | <u>—</u> | <u>—</u> |
| Cash held by stakeholders | 648,216 | 1,585,008 | — | — |
| Other receivables and prepayments | 64,596 | 140,062 | 2,412 | 2,476 |
| | <u>893,574</u> | <u>1,931,169</u> | <u>2,412</u> | <u>2,476</u> |

All of the trade and other receivables except for instalment receivables of HK\$98,497,000 (2013: HK\$131,358,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK\$38,120,000 (2013: HK\$60,902,000) which are unsecured, interest-free and have no fixed terms of repayment.

(a) Ageing analysis

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

| | The Group | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Current | 151,119 | 173,885 |
| 1 to 3 months overdue | 25,761 | 20,825 |
| More than 3 months but less than 12 months overdue | 2,575 | 10,405 |
| More than 12 months overdue | 1,307 | 984 |
| | <u>180,762</u> | <u>206,099</u> |

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

19 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors

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

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

| | The Group | |
|-----------------------------------|-----------|----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| At 1 January | — | 497 |
| Impairment loss reversed | — | (24) |
| Uncollectible amounts written off | — | (473) |
| At 31 December | — | — |

At 31 December 2014 and 2013, the Group's trade debtors were not individually determined to be impaired.

(c) Trade debtors that are not impaired

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

| | The Group | |
|--|-----------|----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Neither overdue nor impaired | 151,119 | 173,885 |
| 1 to 3 months overdue | 25,761 | 20,825 |
| More than 3 months but less than 12 months overdue | 2,575 | 10,405 |
| More than 12 months overdue | 1,307 | 984 |
| | 29,643 | 32,214 |
| | 180,762 | 206,099 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

20 CASH AND BANK BALANCES

| | The Group | | The Company | |
|--|------------------|------------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Deposits with banks and other financial institutions | 2,515,661 | 1,667,803 | — | — |
| Cash at bank and in hand | 15,166 | 91,762 | 1,695 | 1,081 |
| | <u>2,530,827</u> | <u>1,759,565</u> | <u>1,695</u> | <u>1,081</u> |

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

| | The Group | | The Company | |
|-----------------------|-----------|-------------|-------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| | '000 | '000 | '000 | '000 |
| United States dollars | USD 9 | USD 9 | USD 4 | USD 3 |
| Renminbi | RMB 34 | RMB 100,618 | — | — |

(b) Major non-cash transactions

During the year, the Group has payable in relation to additions of properties under development for sale of HK\$238,125,000 (2013: HK\$101,714,000). These additions have no cash flow impact to the Group.

21 TRADE AND OTHER PAYABLES

All of the trade and other payables are expected to be settled or recognised as income within one year except for an amount of HK\$7,622,000 (2013: HK\$7,093,000) of the Group. Included in the trade and other payables are amounts due to related companies of HK\$568,502,000 (2013: HK\$425,929,000) which are unsecured, interest-free and have no fixed terms of repayment.

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

| | The Group | |
|---|-----------|----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Due within 1 month or on demand | 665,918 | 441,231 |
| Due after 1 month but within 3 months | 915 | 997 |
| Due after 3 months but within 12 months | — | — |
| More than 12 months | 8 | 8 |
| | 666,841 | 442,236 |

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | 2014 | 2013 |
|--|----------|----------|
| | HK\$'000 | HK\$'000 |
| Provision for Hong Kong Profits Tax for the year | 161,500 | 19,920 |
| Provisional Profits Tax paid | (5,953) | (16,079) |
| | 155,547 | 3,841 |
| Balance of Hong Kong Profits Tax recoverable relating to prior years | (2,661) | (117) |
| | 152,886 | 3,724 |

Represented by:

| | 2014 | 2013 |
|-----------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Tax recoverable | (35,412) | (36,557) |
| Tax payable | 188,298 | 40,281 |
| | 152,886 | 3,724 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(b) Deferred tax assets and liabilities recognised:

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

The Group

| Deferred tax arising from: | Temporary differences arising from fixed assets <i>HK\$'000</i> | Future benefit of tax losses <i>HK\$'000</i> | Intra-group interest capitalised in properties under development <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|---|---|--------------------------|
| At 1 January 2013 | 26,750 | (9,931) | (3,314) | 13,505 |
| Charged/(credited) to profit or loss (<i>note 6(a)</i>) | 5,487 | (5,787) | 361 | 61 |
| At 31 December 2013 and 1 January 2014 | 32,237 | (15,718) | (2,953) | 13,566 |
| Charged to profit or loss (<i>note 6(a)</i>) | 9,526 | 9,977 | — | 19,503 |
| At 31 December 2014 | 41,763 | (5,741) | (2,953) | 33,069 |

| | The Group 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------------|-------------------------|
| Represented by: | | |
| Net deferred tax asset recognised in the consolidated statement of financial position | (5,860) | (14,527) |
| Net deferred tax liability recognised in the consolidated statement of financial position | 38,929 | 28,093 |
| | 33,069 | 13,566 |



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(c) Deferred tax assets not recognised:

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

| | 2014 | | 2013 | |
|---|---|---------------------------------|---|---------------------------------|
| | Deductible temporary differences/ tax losses HK\$'000 | Deferred tax assets HK\$'000 | Deductible temporary differences/ tax losses HK\$'000 | Deferred tax assets HK\$'000 |
| (i) Excess of tax written down values over accounting carrying values of certain fixed assets | 860 | 142 | 726 | 120 |
| (ii) Tax losses | <u>79,218</u> | <u>13,071</u> | <u>77,966</u> | <u>12,864</u> |
| | <u>80,078</u> | <u>13,213</u> | <u>78,692</u> | <u>12,984</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 CAPITAL AND RESERVES

(a) Movements in components of equity

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

The Company

| | Note | Share capital HK\$'000 (note 23(b)) | Share premium HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|-------|--|------------------------------|---------------------------------|-------------------|
| Balance at 1 January 2013 | | 356,274 | 1,398,527 | 1,972,554 | 3,727,355 |
| Changes in equity for 2013: | | | | | |
| Loss for the year | | — | — | (4,802) | (4,802) |
| Other comprehensive income | | — | — | 976 | 976 |
| Total comprehensive income | | — | — | (3,826) | (3,826) |
| Dividends approved in respect of the previous year | 10 | — | — | (92,631) | (92,631) |
| Dividends declared in respect of the current year | 10 | — | — | (35,627) | (35,627) |
| Balance at 31 December 2013 and 1 January 2014 | | 356,274 | 1,398,527 | 1,840,470 | 3,595,271 |
| Changes in equity for 2014: | | | | | |
| Profit for the year | | — | — | 11,015 | 11,015 |
| Other comprehensive income | | — | — | (1,107) | (1,107) |
| Total comprehensive income | | — | — | 9,908 | 9,908 |
| Dividends approved in respect of the previous year | 10 | — | — | (92,631) | (92,631) |
| Dividends declared in respect of the current year | 10 | — | — | (356,274) | (356,274) |
| Transition to no-par value regime on 3 March 2014 | 23(b) | 1,398,527 | (1,398,527) | — | — |
| Balance at 31 December 2014 | | 1,754,801 | — | 1,401,473 | 3,156,274 |

23 CAPITAL AND RESERVES (Continued)

(b) Share capital

| | 2014 | | 2013 | |
|---|---------------------|-----------|---------------------|----------|
| | Number of shares | HK\$'000 | Number of shares | HK\$'000 |
| Authorised: (note 1) | | | | |
| Ordinary shares of HK\$1 each (note 2) | — | — | 550,000,000 | 550,000 |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | 356,273,883 | 356,274 | 356,273,883 | 356,274 |
| Transition to no-par value regime on 3 March 2014 (note 3) | — | 1,398,527 | — | — |
| At 31 December | 356,273,883 | 1,754,801 | 356,273,883 | 356,274 |

Note 1: Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

Note 2: In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Note 3: In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

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

23 CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital (see note 23(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Securities revaluation reserve

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

(iii) Other capital reserves

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

(d) Distributability of reserves

The distributable reserves of the Company at 31 December 2014 amounted to HK\$934,115,000 (2013: HK\$1,373,067,000), as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622). After the end of the reporting period the directors proposed final and second special dividends of HK26 cents and HK30 cents (2013: HK26 cents and Nil) per ordinary share, amounting to HK\$92,631,000 and HK\$106,882,000 (2013: HK\$92,631,000 and Nil) respectively (note 10). These dividends have not been recognised as a liability at the end of the reporting period.

(e) Capital management

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

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(b) Liquidity risk (Continued)

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

The Group

| | 2014 | | | | | Carrying amount at 31 December | 2013 | | | | | Carrying amount at 31 December |
|--------------------------|---------------------------------------|--|---|-------------------|-----------|--------------------------------|---------------------------------------|--|---|-------------------|-----------|--------------------------------|
| | Contractual undiscounted cash outflow | | | | | | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Trade and other payables | 1,019,939 | 3,858 | 3,764 | — | 1,027,561 | 1,027,561 | 3,150,644 | 4,216 | 1,993 | 884 | 3,157,737 | 3,157,737 |

The Company

| | 2014 | | | Carrying amount at 31 December | 2013 | | Carrying amount at 31 December |
|-----------------------------|---------------------------------------|------------------|------------------|--------------------------------|---------------------------------------|----------------|--------------------------------|
| | Contractual undiscounted cash outflow | | | | Contractual undiscounted cash outflow | | |
| | Within 1 year or on demand | Total | Total | | Within 1 year or on demand | Total | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Amounts due to subsidiaries | 1,340,814 | 1,340,814 | 1,340,814 | 869,969 | 869,969 | 869,969 | |
| Trade and other payables | 8,003 | 8,003 | 8,003 | 7,002 | 7,002 | 7,002 | |
| | <u>1,348,817</u> | <u>1,348,817</u> | <u>1,348,817</u> | <u>876,971</u> | <u>876,971</u> | <u>876,971</u> | |

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

(c) Currency risk

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in a currency other than the Hong Kong dollars. The currency giving rise to this risk is primarily Renminbi.

In respect of cash and bank balances denominated in Renminbi, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Other than the above, the Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

| | 2014 | | 2013 | |
|----------|---|--|---|--|
| | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained profits <i>HK\$'000</i> | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained profits <i>HK\$'000</i> |
| Renminbi | 10% (10%) | 4 (4) | 10% (10%) | 12,797 (12,797) |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profits after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2013.

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

(d) Equity price risk

The Group is exposed to equity price change arising from equity investments classified as available-for-sale securities (see note 16). Other than unquoted securities held for strategic purpose, all of these investments are listed.

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

Sensitivity analysis

At 31 December 2014, it is estimated that an increase/decrease of 10% (2013: 10%) in the market prices of the investments in available-for-sale securities, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK\$52,117,000 (2013: HK\$40,074,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for 2013.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

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

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

Management performs valuations for the financial instruments and reports directly to the audit committee. A valuation report with analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by senior management. Discussion of the valuation process and results with the audit committee is held twice a year, to coincide with the reporting dates.

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

(e) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

| | Fair value at 31 December 2014 HK\$'000 | Fair value measurements as at 31 December 2014 categorised into | | |
|---|--|--|---------------------|---------------------|
| | | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 |
| The Group | | | | |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Available-for-sale securities: | | | | |
| – Listed | 521,165 | 521,165 | — | — |
| | <u>521,165</u> | <u>521,165</u> | <u>—</u> | <u>—</u> |
| | Fair value at 31 December 2013 HK\$'000 | Fair value measurements as at 31 December 2013 categorised into | | |
| | | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Available-for-sale securities: | | | | |
| – Listed | 400,743 | 400,743 | — | — |
| | <u>400,743</u> | <u>400,743</u> | <u>—</u> | <u>—</u> |

During the years ended 31 December 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(e) Fair value measurement (Continued)

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 2013.

(f) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

25 OPERATING LEASE COMMITMENTS

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------------|------------------|------------------|
| Within 1 year | 5,060 | 3,517 |
| After 1 year but within 5 years | 4,110 | 3,616 |
| | <u>9,170</u> | <u>7,133</u> |

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 CAPITAL AND OTHER COMMITMENTS

Capital and other commitments outstanding at 31 December 2014 not provided for in the Group's consolidated financial statements were as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Contracted for | 162,833 | 706,721 |
| Authorised but not contracted for | 80,146 | 59,580 |
| | <u>242,979</u> | <u>766,301</u> |

27 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2014, the Company has issued the following guarantees:

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

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

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant suppliers by its wholly-owned subsidiaries, being HK\$662,000 (2013: HK\$1,119,000).

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

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 5,728 | 5,724 |
| Post-employment benefits | 89 | 92 |
| | <u>5,817</u> | <u>5,816</u> |

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

(b) Other material related party and connected transactions

- (i) In 1998, the Group appointed a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") as the development and sales manager for the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost and 0.5% of the gross proceeds of sale of the residential portion of the redevelopment. At 31 December 2013, an amount of HK\$18,000,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year.

In 1999, the Group entered into a development agreement (the "Agreement") with HLD and two wholly-owned subsidiaries of HLD ("HLD Sub"), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the MHV Property for a consideration of HK\$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2014, an amount of HK\$8,199,000 (2013: HK\$7,884,000) remained unpaid and was included in trade and other receivables.

- (ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 31 December 2014. During the year, the Group received management and administrative fees in the total of HK\$150,000 (2013: HK\$245,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK\$82,000 (2013: HK\$145,000) from 2OK. At 31 December 2014, the amount advanced by the Group totalling HK\$3,375,000 (2013: HK\$5,652,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.



28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

- (iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK\$1,663,000 (2013: HK\$1,564,000) was charged to the Group for the year. At 31 December 2014, an amount of HK\$881,000 (2013: HK\$823,000) remained unpaid and was included in trade and other payables.

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

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

During the years ended 31 December 2014 and 2013, there were no change in cost estimates. At 31 December 2014, an amount of HK\$2,294,000 (2013: HK\$2,294,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

- (v) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold. At 31 December 2014, an amount of HK\$1,104,000 (2013: HK\$1,104,000) remained unpaid and was included in trade and other payables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

- (vi) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the project manager of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the "Fanling Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK\$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK\$1,395,000 (2013: HK\$6,763,000) was charged to the Group for the year. At 31 December 2013, an amount of HK\$17,095,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year.

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

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

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with the wholly-owned subsidiary of HLD to extend the period of payment of fees for the respective ceilings of HK\$6,800,000 and HK\$19,000,000 for the period from 1 June 2014 to 31 December 2014 and year ending 31 December 2015 respectively. In accordance with the contract entered into with the Group, an amount of HK\$576,763,000 (2013: HK\$384,973,000), of which HK\$12,639,000 (2013: HK\$27,440,000) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the Fanling Property. At 31 December 2014, an amount of HK\$507,721,000 (2013: HK\$275,538,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.



28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

- (viii) In March 2011, the Group appointed HLD Sub A as the project manager of the development of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK\$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK\$138,000 (2013: HK\$927,000) was charged to the Group for the year. At 31 December 2014, an amount of HK\$4,348,000 (2013: HK\$3,253,000) remained unpaid and was included in trade and other payables.

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

- (ix) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the TCS Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. The construction has not commenced. No cost has been charged for the year ended 31 December 2014.

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

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

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

(x) (Continued)

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

During the year, an amount of HK\$9,650,000 (2013: HK\$8,119,000), being aggregate rental and fees receivable under the aforementioned lease and licences, was credited to the Group.

(xi) In February 2012, the Group appointed a wholly-owned subsidiary of HLD as the contractor for carrying out the substructure works of TCS Property. In January 2013, the Group revised the annual cap of the substructure works of the respective years. The annual ceiling for the years ended 31 December 2012 and 31 December 2013 were HK\$11,000,000 and HK\$19,000,000 respectively. No cost has been charged for the year ended 31 December 2014. A total fee of HK\$16,223,000 was charged to the Group for the year ended 31 December 2013. At 31 December 2013, an amount of HK\$9,047,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year.

(xii) In March 2012, the Group entered into a letter agreement with HLD Sub A and appointed HLD Sub A as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre (the "Premises") for the marketing services of the Fanling Property for the period from 20 March 2012 to the earlier of 15 June 2013 and the date on which the last residential unit in the Fanling Property is sold, subject to the respective ceilings of HK\$7,500,000 for the period from 20 March 2012 to 31 December 2012 and HK\$4,500,000 for the period from 1 January 2013 to 15 June 2013. The letter agreement expired on 15 June 2013.

In August 2013, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease the Premises for the continuation of the marketing services of the Fanling Property for the period from 16 June 2013 to the earlier of 15 October 2013 and the date on which the last residential unit in the Fanling Property is sold, subject to the ceiling of HK\$4,300,000. The letter agreement expired on 15 October 2013.

In December 2013, the Group entered into a letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises for the continuation of the marketing services of the Fanling Property for the period from 16 October 2013 to the earlier of 31 December 2013 and the date on which the last residential unit in the Fanling Property is sold, subject to the ceiling of HK\$2,688,000. The letter agreement expired on 31 December 2013.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

(xii) (Continued)

No cost has been charged for the year ended 31 December 2014. A total fee of HK\$10,410,000 was charged to the Group for the year ended 31 December 2013. At 31 December 2013, an amount of HK\$12,653,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year.

(xiii) In September 2013, the Group appointed HLD Sub A as the project manager of the development of Hung Hom Inland Lot No. 555 (the "Hung Hom Property") for a term of three years commencing from 5 September 2013 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Hung Hom Property and other lump sum fees for supplementary services subject to a ceiling of HK\$2,300,000. A total fee of HK\$2,245,000 (2013: HK\$1,280,000) was charged to the Group for the year. At 31 December 2014, an amount of HK\$3,525,000 (2013: HK\$1,280,000) remained unpaid and was included in trade and other payables.

(xiv) In December 2013, the Group appointed HLD Sub B as the sales manager of the development of the Hung Hom Property for a term of three years commencing from 1 January 2014 in consideration for a fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the annual ceilings for the year ended 31 December 2014, and the year ending 31 December 2015 and 31 December 2016 of HK\$2,500,000, HK\$1,000,000 and HK\$1,500,000 respectively. A total fee of HK\$166,000 (2013: HK\$Nil) was charged to the Group for the year. At 31 December 2014, an amount of HK\$166,000 (2013: HK\$Nil) remained unpaid and was included in trade and other payables.

(xv) In August 2014, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre for the marketing services of the Hung Hom Property for the period from 5 August 2014 to the earlier of 4 April 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the respective ceilings of HK\$3,000,000 for the period from 5 August 2014 to 31 December 2014 and HK\$1,100,000 for the period from 1 January 2015 to 4 April 2015. A total fee of HK\$2,662,000 was charged to the Group for the year. At 31 December 2014, an amount of HK\$1,651,000 remained unpaid and was included in trade and other payables.

(xvi) At 31 December 2014, HLD (as defined in the Listing Rules) beneficially owned approximately 33.33% (2013: 33.33%) of the issued share capital of the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

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

The related party transactions in respect of notes 28(b)(vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv) and (xv) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2014.

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend and a second special dividend. Further details are disclosed in note 10.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|--|--|
| Amendments to HKAS 19, <i>Defined benefit plans: Employee contributions</i> | 1 July 2014 |
| <i>Annual improvements to HKFRSs 2010–2012 cycle</i> | 1 July 2014 |
| <i>Annual improvements to HKFRSs 2011–2013 cycle</i> | 1 July 2014 |
| Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortization</i> | 1 January 2016 |
| HKFRS 15, <i>Revenue from contracts with customers</i> | 1 January 2017 |
| HKFRS 9, <i>Financial instruments</i> | 1 January 2018 |



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

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

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

FIVE YEARS' SUMMARY OF ASSETS AND LIABILITIES

| Year | 2010 <i>HK\$ Million</i> | 2011 <i>HK\$ Million</i> | 2012 <i>HK\$ Million</i> | 2013 <i>HK\$ Million</i> | 2014 <i>HK\$ Million</i> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---|
| Fixed assets and interest in leasehold land | 1,184 | 1,247 | 1,304 | 1,367 | 1,991 |
| Interest in associates | 40 | 25 | 22 | 17 | 14 |
| Properties under development | 1,511 | 2,050 | 2,361 | 2,822 | 843 |
| Investments | 661 | 493 | 716 | 405 | 523 |
| Deferred tax assets | 8 | 6 | 7 | 14 | 6 |
| Current assets | <u>1,249</u> | <u>1,118</u> | <u>1,154</u> | <u>3,788</u> | <u>3,701</u> |
| Total assets | 4,653 | 4,939 | 5,564 | 8,413 | 7,078 |
| Total liabilities | <u>228</u> | <u>216</u> | <u>421</u> | <u>3,226</u> | <u>1,255</u> |
| Net assets employed | <u><u>4,425</u></u> | <u><u>4,723</u></u> | <u><u>5,143</u></u> | <u><u>5,187</u></u> | <u><u>5,823</u></u> |

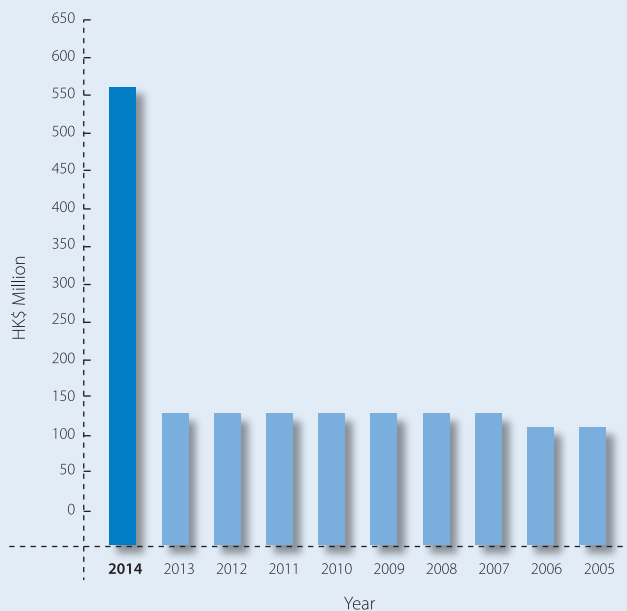


TEN YEARS' FINANCIAL SUMMARY

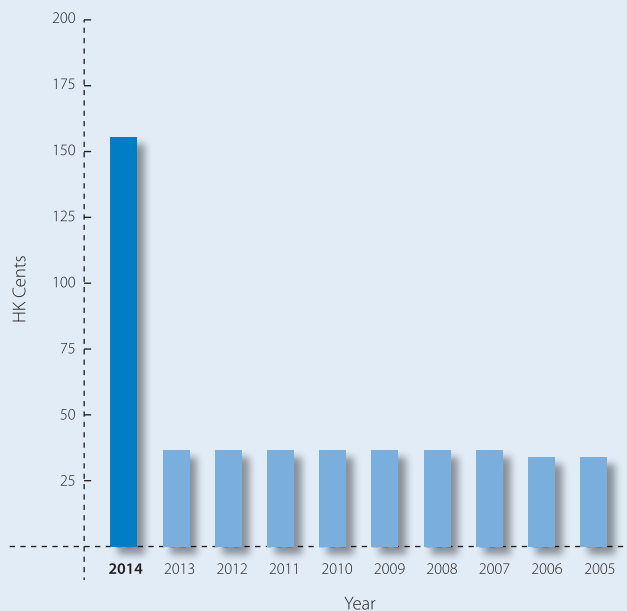
| Year | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|----------------|-------|-------|-------|---------|-------|-------|-------|-------|-------|-------|
| Turnover | <i>HK\$M</i> | 764 | 708 | 673 | 522 | 2,139 | 912 | 635 | 616 | 440 | 3,507 |
| Profit/(loss) attributable to shareholders | <i>HK\$M</i> | 257 | 131 | 389 | (527) | 1,095 | 483 | 565 | 397 | 293 | 1,031 |
| Dividends | <i>HK\$M</i> | 118 | 118 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 556 |
| Shareholders' funds | <i>HK\$M</i> | 3,381 | 3,411 | 3,713 | 2,973 | 4,101 | 4,425 | 4,729 | 5,143 | 5,187 | 5,823 |
| Earnings/(loss) per share | <i>HK Cent</i> | 72.1 | 36.8 | 109.2 | (147.9) | 307.5 | 135.6 | 158.6 | 111.5 | 82.4 | 289.5 |
| Dividend per share | <i>HK Cent</i> | 33.0 | 33.0 | 36.0 | 36.0 | 36.0 | 36.0 | 36.0 | 36.0 | 36.0 | 156.0 |
| Dividend cover | <i>Times</i> | 2.2 | 1.1 | 3.0 | — | 8.5 | 3.8 | 4.4 | 3.1 | 2.3 | 1.9 |
| Return/(loss) on equity | <i>%</i> | 7.6 | 3.9 | 10.5 | (17.7) | 26.7 | 10.9 | 12.0 | 7.7 | 5.7 | 17.7 |
| Net assets per share | <i>HK\$</i> | 9.5 | 9.6 | 10.4 | 8.3 | 11.5 | 12.4 | 13.3 | 14.4 | 14.6 | 16.3 |

TEN YEARS' FINANCIAL SUMMARY (CONTINUED)

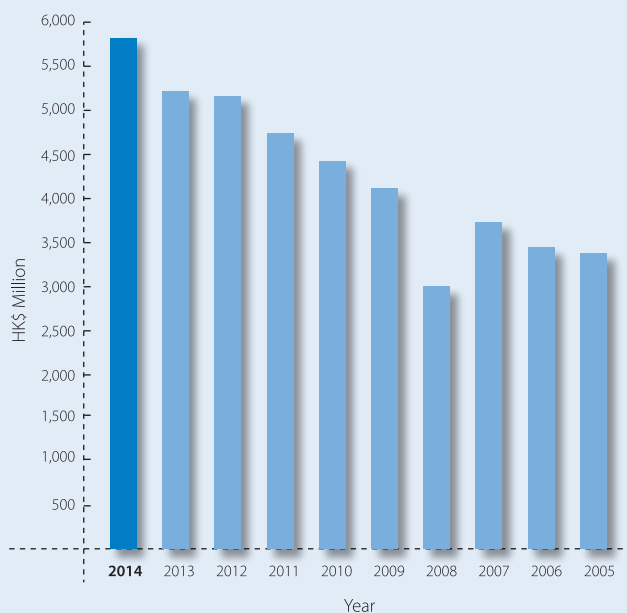
Dividends



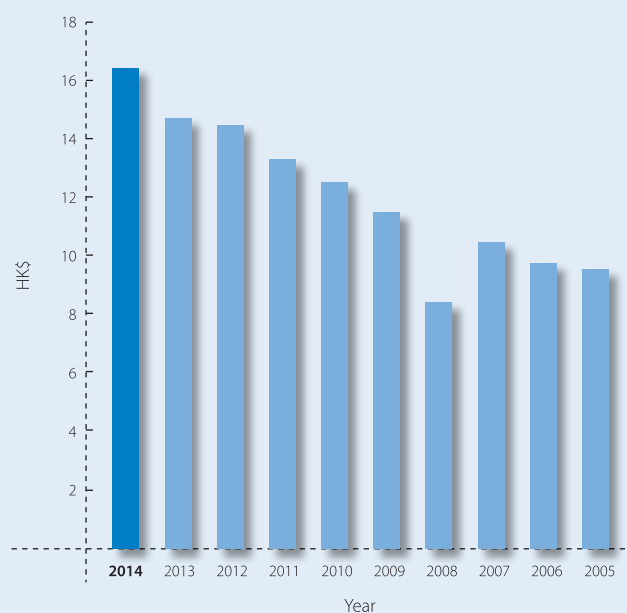
Dividend per share



Shareholders' funds



Net assets per share



1. PROPERTIES UNDER DEVELOPMENT

| Location | Lot No. | Site area (sq.m.) | Gross floor area (sq.m.) | Group's interest (%) | Intended use |
|---|---|----------------------|--------------------------------|----------------------------|-------------------------------|
| 208 Tung Chau Street (formerly known as 204-214 Tung Chau Street) | NKIL 48, s.B. R.P., s.B.ss.1R.P., R.P., s1& sH | 614 | 5,016 | 100 | Commercial and residential |
| METRO6 No. 121 Bulkeley Street (formerly known as Junction of Gillies Avenue South & Bulkeley Street, Hung Hom) | Hung Hom I.L. No. 555 | 582 | 5,240 | 100 | Commercial and residential |

2. PROPERTIES HELD FOR SALE

| Location | Lot No. | Gross floor area (sq.m.) | Group's interest (%) | Existing use |
|--|------------------------------------|--------------------------------|----------------------------|--------------|
| Green Code 1 Ma Sik Road Fanling | F.S.S.T.L. 177 (S.T.T. 1364(N)) | 2,833* | 100 | Residential |
| Shining Heights 83 Sycamore Street | KIL 11159 | 1,061* | 100 | Residential |
| The Spectacle 8 Cho Yuen Street Yau Tong | Yau Tong Inland Lot No. 38 | 235* | 100 | Residential |

GROUP PROPERTIES (CONTINUED)

As at 31 December 2014

3. PROPERTIES HELD FOR INVESTMENT

| Location | Lot No. | Gross floor area (sq.m.) | Lease expiry (year) | Existing use |
|---|--|-----------------------------|------------------------|-------------------|
| Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui | KIL 11127 RP | 23,549 | 2047 | Commercial arcade |
| Green Code 1 Ma Sik Road Fanling | F.S.S.T.L. 177 (S.T.T. 1364(N)) | 8,610 | 2060 | Commercial arcade |
| 20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu | Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu | 1,912 | 2047 | Godown |
| Shining Heights 83 Sycamore Street | KIL 11159 | 2,469 | 2054 | Commercial arcade |
| The Spectacle 8 Cho Yuen Street Yau Tong | Yau Tong Inland Lot No. 38 | 2,300 | 2047 | Commercial arcade |

4. OTHER PROPERTIES

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

* The area represents gross floor area of unsold units at 31 December 2014.

GREEN CODE

逸峯

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



The sale of the Group's Green Code at No. 1 Ma Sik Road, Fanling, New Territories has been launched in mid-March 2013. The response from the buyers was good. An accumulated total of 699 units has been sold up to the end of 2014, and there are 29 unsold units.

集團位於新界粉嶺馬適路一號「逸峯」已於二零一三年三月中旬開售，買家反應熱烈。截至二零一四年年底，累計已售出共699個單位，尚餘29個單位未出售。



METRO6 城中匯

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

The residential-cum-commercial tower provides a total gross floor area of approximately 56,000 sq. ft. and comprises 95 residential units. More than half of the residential units had been sold.

該商住物業興建九十五個住宅單位，連同商業部份，總樓面面積約為五萬六千平方呎，已售出逾半單位。



THE SPECTACLE 嘉賢居

8 Cho Yuen Street, Yau Tong
油塘草園街8號

The residential units are currently on sale and 1 residential unit remained to be sold as at year end 2014. The total gross floor area is approximately 165,000 sq. ft., comprising 140,000 sq. ft. for residential use and 25,000 sq. ft. for non-residential use.

住宅單位現正發售，於二零一四年年底，一個住宅單位尚待出售。該項目總樓面面積約為十六萬五千平方呎，其中住宅樓面面積約為十四萬平方呎，非住宅樓面面積約為二萬五千平方呎。





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