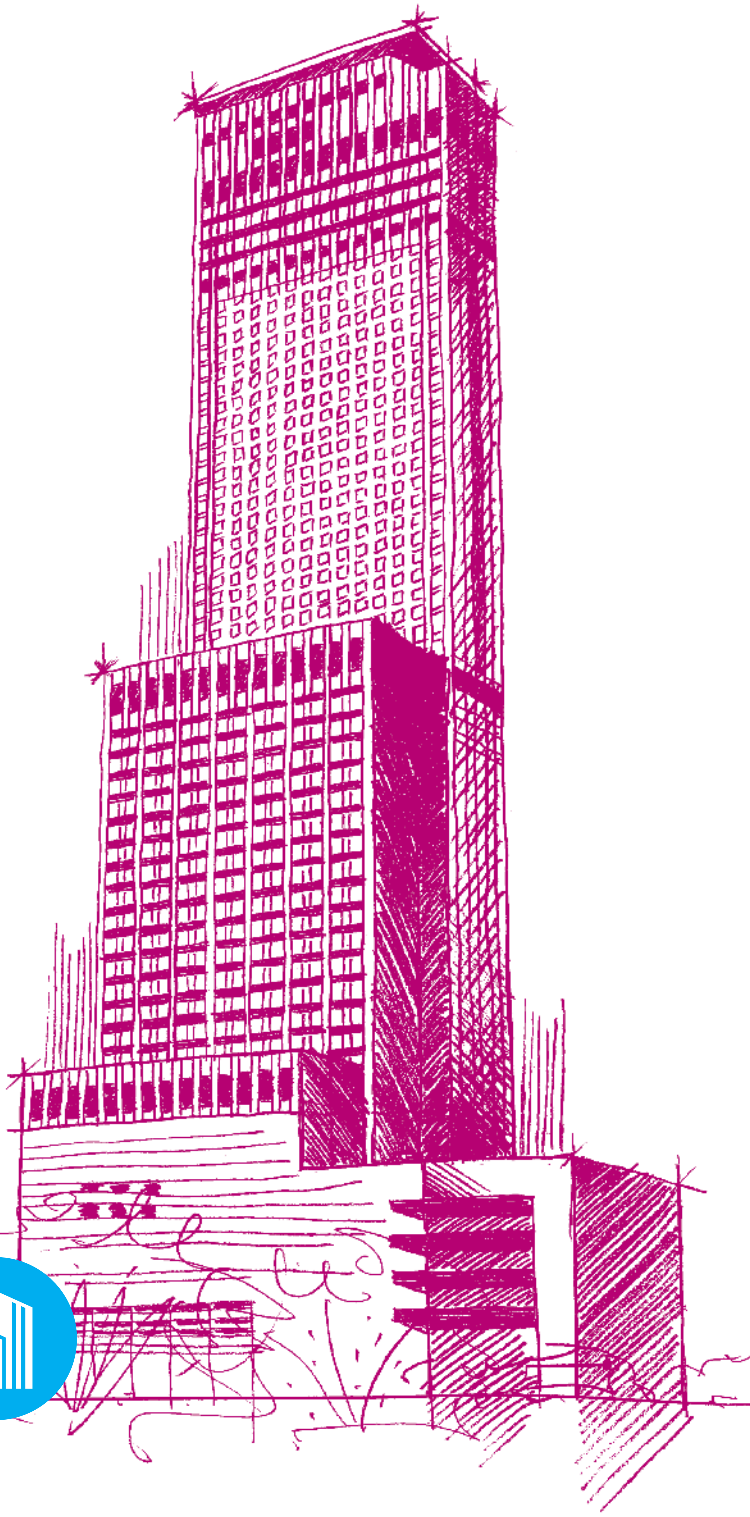
SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)



2014

ANNUAL

REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors:

Lim Kia Hong
(Chairman and Chief Executive Officer)
Lim Kiah Meng *(Vice-chairman)*
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Ong Wui Leng
Ma Shiu Sun, Michael

SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

803
Nine Queen's Road Central
Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

www.sisinternational.com.hk
enquiry@sis.com.hk

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Norton Rose

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
DBS Bank Ltd
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
OCBC Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Ltd.
The Tokyo Star Bank, Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

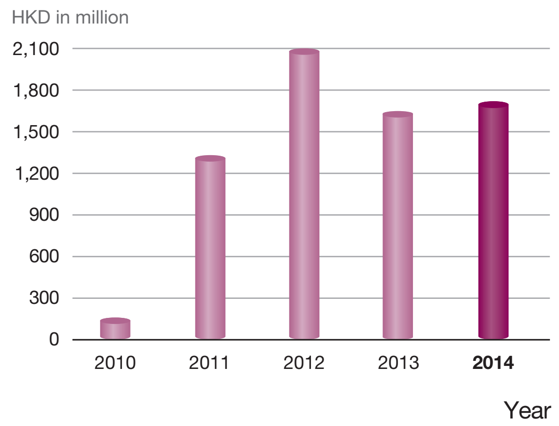
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

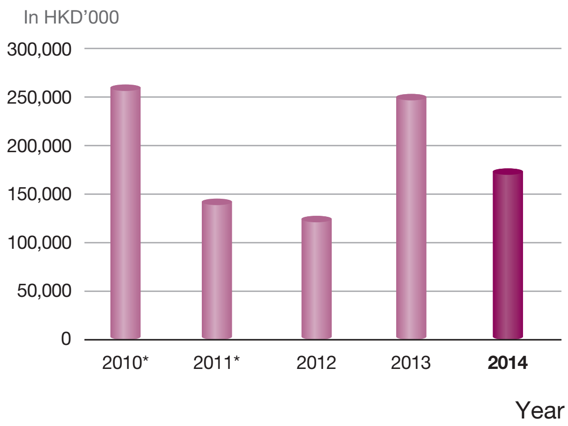
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

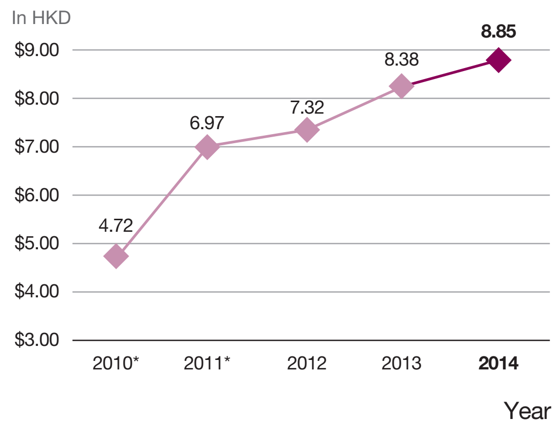
Revenue



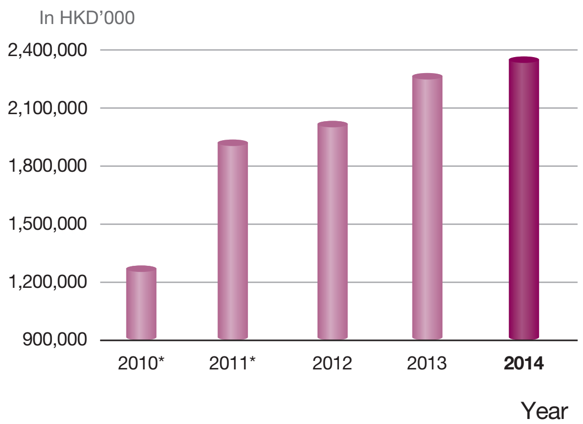
Net Profit



Net Asset Value Per Share



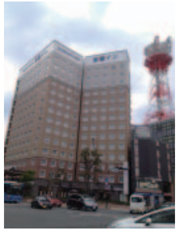
Shareholders' Equity



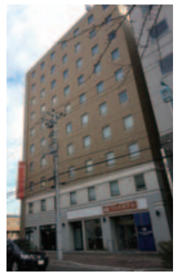
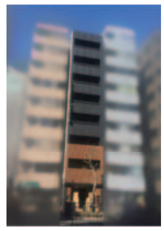
* *Figures are restated.*

HISTORY & MILESTONES OF SIS







SiS Thailand

- SiS Thailand listed on Thailand Stock Exchange (SIS.TH)

- SiS listed on the main board of the Hong Kong Stock Exchange (529.HK)

- Began distribution of original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software

2002

1997

1992

1987

1984

1983

- Founded in Singapore
- Became distributor for Dyson floppy disk in 1983 and 3Com network in 1984 and started building a reseller base

- SiS Mobile Holdings Limited listed on the main board of Hong Kong Stock Exchange (1362.HK)

- Acquired properties in Japan
  - In Dec 2012 Rinku Gate Tower in Osaka - second tallest building in Japan*
  - In Oct 2013 Five Toyoko Inn hotel properties
  - In Jul 2014 Dormy Inn Premium hotel property in Otaru
  - In Sep 2014 Hakodate Rich hotel property
  - In Mar 2015 First Cabin Tsukiji property

2015

2013

- Acquired a stake in ITCL, a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group

2011

2004

- Began to introduce smartphones in Asia

- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics

- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers

* *according to information from web-based free encyclopedia Wikipedia, which is modified on 23 November 2012.*

Message from the Chairman and CEO

Dear Shareholders

I am pleased to present to our shareholders results of the Group for the year ended 31 December 2014. Sales revenue for the year ended 31 December 2014 for the Group increased to HK$1,717 million from HK$1,644 million while the gross profit increased to HK$151,957,000 from HK$136,742,000. Total net profit for the year decreased to HK$175,867,000 from HK$255,088,000. Net assets value per share increased from HK$8.38 to HK$8.85.

BUSINESS REVIEW

Distribution

The shift of consumers and corporates towards mobility and mobile devices opened up bigger market opportunities but at the same time created intense competition. The revenues from mobile & IT products distribution and distribution management services increased 2% from HK$1,506 million to HK$1,532 million and the segment profits decreased 86% from HK$64 million to HK$9 million as compared to previous year.

To create and unleash the value for shareholders, the Group had successfully spun off and listed its subsidiary, SiS Mobile Holdings Limited (stock code: 1362) which is engaged in distribution of mobile phones products on the Main Board of the Stock Exchange of Hong Kong Limited on 15 January 2015.

Investment in IT Business

Amid the uncertain economic and political challenges in Thailand, our associated company, SiS Distribution (Thailand) Public Company Limited continued to perform and contributed HK$21 million to the Group.

Bangladesh is an emerging country with a vast population that offers much opportunity in electronic & mobile banking payment services as more people adopt the use of mobile and e-commerce. The Group has identified electronic & mobile payment and financial services to grow rapidly as the country progress. With the Group's additional investments into Information Technology Consultants Limited ("ITCL"), the largest provider of payment switch and gateway in the provision of financial services and mobile banking solutions to banks and telcos in Bangladesh, the accounts of ITCL had been consolidated as a subsidiary of the Group. The accumulated investment of HK$84 million recorded an increase in total revenue from HK$44,400,000 in 2013 to HK$61,233,000 in 2014, a 38% revenue increase.

Message from the Chairman and CEO

In light of the recent rapid expansion of electronic payment companies like Apple pay, Google pay and Alipay, and their plan of expanding business in developing countries, the Group will continue to allocate resources on the rapidly growing electronic & mobile payment business and seek strategic partners to further expand the business in the area of electronic & mobile payment services.

Real Estate Investments Business

The Group's investment in income-generating properties with long term potential for the capital appreciation has begun to contribute positively to the net results of the Group. In addition to the investment in the iconic Sky Scrapper Rinku Gate Tower Building in Osaka Japan in 2012, and the acquisition of trust beneficial interests in five Toyoko Inn hotel properties located in five major cities in Japan in 2013, the Group completed acquisition of the trust beneficial interests in Dormy Inn Premium hotel located in Otaru in July 2014 and Rich hotel located in Hakodate by end of September 2014.

As a result of the additional acquisition, revenue from the Group's Japan real estate investment portfolio for the year increased from HK$120 million to HK$163 million, and operating profit generated was HK$60 million as compared to HK$21 million in last year.

Total carrying value of the Group's investment properties amounted to HK$2,016 million as at 31 December 2014.

PROSPECT

The Japanese government is actively developing their tourism industry, introducing a more flexible policy on visa issuing for tourists from China which in turn has resulted in a notable increase in the number of Chinese tourists. The Group believes that the number of tourists travelling to Japan will continue to increase in the future in the face of devaluation of the Japanese Yen and the oncoming of the Olympics 2020 in Japan.

Budget & business hotels businesses in Japan have become sizeable businesses. As the budget & business hotel businesses have reached a significant scale, the Group will seek for opportunities and expand our business in this arena.

Since the founding of SiS in 1983, the Group has established an extensive reseller network representing some of the world's renowned vendors. The Group has been successful in anticipating of the transformation of PCs, software, network and the mobile phone era. With an experienced management team, the Group is cautiously moving ahead with confidence and is currently working and exploring new distribution business in IT and beyond.

Message from the Chairman and CEO

SPECIAL INTERIM DIVIDEND AND FINAL DIVIDEND

The board of directors of the Company resolved the payment of a special interim dividend by way of distribution in specie (the "Distribution") to the qualified shareholders, being the registered holders of the Company's shares whose names appear on the register of members of the Company on 12 January 2015 in the proportion of thirty-two shares of SiS Mobile Holdings Limited ("SiS Mobile") for every one hundred shares in the Company held at the close of business on the Distribution record date. The share certificates of SiS Mobile have been despatched to qualified shareholders on 14 January 2015.

To reward loyal shareholders, the directors recommend a final dividend of 5.0 HK cents per share (the "Final Dividend") payable to shareholders on the register of members on 10 July 2015. Subject to the approval of the shareholders at the forthcoming annual general meeting, the Final Dividend will be payable in cash on 23 July 2015.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. Our success would not have been possible without their dedication, contributions, efforts, time and confidence.

On behalf of the Board

LIM Kia Hong
Chairman & Chief Executive Officer

Hong Kong, 26 March 2015

FINANCIAL DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2014, the Group had total assets of HK$3,625,787,000 which were financed by total equity of HK$2,451,240,000 and total liabilities of HK$1,174,547,000. The Group had a current ratio of approximately 1.6 compared to that of approximately 1.7 at 31 December 2013.

As at year end 2014 the Group had HK$821,105,000 (2013: HK$785,781,000) bank balances and cash of which HK$493,522,000 (2013: HK$444,035,000) was pledged to banks to secure bank loans. The Group's working capital requirements were mainly financed by internal resources and bank loans. As at 31 December 2014, the Group had short term loans and bank overdrafts of total HK$476,934,000 (2013: HK$479,859,000) and long term loans and bonds of HK$419,020,000 (2013: HK$282,617,000). The borrowings were mainly denominated in Japanese Yen, Hong Kong Dollar and Bangladesh Taka and were charged by banks at floating interest rates.

Adhering to a conservative financial management system, the Group continued to maintain a healthy and solid liquidity position. At the end of December 2014, the Group had a net cash deficit (bank balances and cash, including pledged deposits less bank loans, bank overdrafts and bonds) of HK$74,849,000 compared to cash surplus of HK$23,305,000 as at 31 December 2013.

Gearing ratio, as defined by total bank loans, overdrafts and bonds to total equity as at 31 December 2014 was 37% (2013: 33%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK$493,522,000 (2013: HK$444,035,000) and investment properties with carrying value of HK$1,436,778,000 (2013: HK$1,293,279,000) were pledged to secure bank loans and general banking facilities granted to the Group and for purchase of investment properties.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

The number of staff of the Group as at 31 December 2014 was 308 (2013: 302) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK$33,621,000 (2013: HK$31,724,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2014, share options of 55,555 have been exercised and the closing share price immediate before date of exercise of the share options was HK$3.11. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Financial Discussion and Analysis

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 31 December 2014, the Group had outstanding forward contracts of notional amount HK$179,400,000 (2013: HK$78,000,000) which were measured at fair value at the reporting date.

Contingent Liabilities

The Company's corporate guarantees extended to a bank and an ESCO service provider as security for banking facilities and providing ESCO service respectively to the Group amounted to total HK$168,072,000 (2013: HK$189,480,000).

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material deviations from the Code are explained in the report below.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the "INED"), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on page 17 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has more than twenty years experience in corporate banking, corporate finance and management.

The INEDs Mr. Lee Hiok Chuan and Ms. Ong Wui Leng are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management.

Corporate Governance Report

As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group.

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall made recommendation to the Board whenever they consider appropriate. During the year 2014, the Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	–	C	M
Mr. Lim Kiah Meng	–	M	M
Mr. Lee Hiok Chuan	M	M	M
Ms. Ong Wui Leng	C	M	C
Mr. Ma Shiu Sun, Michael	M	M	M

Notes:
C – Chairman of the relevant Committee
M – Member of the relevant Committee

AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Ong Wui Leng was appointed as the Chairman of the Audit Committee.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2014 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review 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;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency 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.

A meeting was held during the year ended 2014 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ong Wui Leng as Chairman from 27 March 2012 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2014, and the members had reviewed the remuneration policy and determined remuneration of Directors.

DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 26 and 27.

AUDITORS' REMUNERATION

During the year ended 31 December 2014, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	Service fee *HK$'000*
Audit services	1,880
Tax advisory	22
Listing and other services	3,637
	5,539

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2014:

	General Meeting	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meeting during the year	(2)	(11)	(4)	(2)	(1)
Executive Directors					
Lim Kia Hong	2	11	N/A	2	1
Lim Kiah Meng	2	11	N/A	2	1
Lim Hwee Hai	2	11	N/A	N/A	N/A
Lim Hwee Noi	2	11	N/A	N/A	N/A
Independent Non-Executive Directors					
Lee Hiok Chuan	2	11	4	2	1
Ong Wui Leng	2	11	4	2	1
Ma Shiu Sun, Michael	2	11	4	2	1

INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the internal control system periodically and enhance the system when necessary. The Company has internal audit functions. The internal auditors reviewed the internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct a review of the effectiveness of the system of the internal control of the Group during the year. The Directors considered that the internal control systems effective and adequate.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. The Company had organised a seminar regarding the listing rules for the directors in 2014. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials.

During the year, the Directors participated in continuous professional development activities as set out below:

	Attending trainings/ briefings/ seminars
Executive Directors	
Lim Kia Hong	✓
Lim Kiah Meng	✓
Lim Hwee Hai	✓
Lim Hwee Noi	✓
Independent Non-Executive Directors	
Lee Hiok Chuan	✓
Ong Wui Leng	✓
Ma Shiu Sun, Michael	✓

COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2014.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2014 was the annual general meeting held on 23 June 2014 at Kellett Room I, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2013; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

Corporate Governance Report

A special general meeting was held on 9 December 2014 to waive the assured entitlement requirements in respect of the proposed spin-off of Information Technology Consultants Limited for separate listing on the Stock Exchanges in Bangladesh.

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, a special general meeting shall be convened on the written requisition of any two or more shareholders holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than a period which is the longer of fourteen days and ten clear business days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

803 Nine Queen's Road Central, Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company (www.sisinternational.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

Directors' Profiles

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 58, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the Group's key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange of Hong Kong. He is responsible for the corporate planning, development and public relation of the Group. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2014.

LIM Kiah Meng, aged 62, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has over twenty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Japan, Singapore and the PRC. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2014.

LIM Hwee Hai, aged 65, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Malaysia, Thailand and the Asia-Pacific region. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2014.

LIM Hwee Noi, aged 64, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. She is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 80, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

ONG Wui Leng, aged 54, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has many years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia.

MA Shiu Sun, **Michael**, aged 46, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner in a Hong Kong law firm in the areas of commercial and corporate matters.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 41, 18 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 28.

The directors resolved the payment of a special interim dividend by way of distribution in specie (the "Distribution") to the qualified shareholders, being the registered holders of the Company's shares whose names appear on the register of members of the Company on 12 January 2015 in the proportion of thirty-two shares of SiS Mobile Holdings Limited ("SiS Mobile") for every one hundred shares in the Company held at the close of business on the Distribution record date. The share certificates of SiS Mobile have been despatched to qualified shareholders on 14 January 2015.

The directors now recommend the payment of final dividend of 5.0 HK cents to the shareholders on the register of members on 10 July 2015, amounting to totally HK$13,868,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 102. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$242,103,000 and HK$11,166,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK$159,440,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2014 are set out on pages 103 and 104.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 14 and 15 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2014 were as follows:

	2014	2013
	HK$'000	*HK$'000*
Contributed surplus	**29,186**	29,186
Investment reserve	**60**	(579)
Retained profits	**1,149,706**	1,174,007
	1,178,952	1,202,614

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Independent non-executive directors:

Mr. Lee Hiok Chuan
Ms. Ong Wui Leng
Mr. Ma Shiu Sun, Michael

In accordance with the provisions of the Company's Bye-Laws, Mr. Lim Kiah Meng and Mr. Lee Hiok Chuan retire from office and, being eligible, offer themselves for re-election.

The term of office of Mr. Lee Hiok Chuan and Ms. Ong Wui Leng, as the independent non-executive directors are the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws. Mr. Ma Shiu Sun, Michael, is appointed as an independent non-executive director for a period of two years to 1 February 2016 and is also subject to the retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31 December 2014, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of HK$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests *(Note 1)*	Corporate interests *(Note 2)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong *(Note 4)*	5,771,108	504,000	–	178,640,000	184,915,108	66.73%
Lim Kiah Meng *(Note 4)*	5,403,200	450,000	534,000	178,640,000	185,027,200	66.78%
Lim Hwee Hai *(Note 3)*	3,331,200	3,579,158	–	–	6,910,358	2.49%
Lim Hwee Noi *(Note 3, 4)*	3,579,158	3,331,200	–	–	6,910,358	2.49%
Lee Hiok Chuan	83,333	–	–	–	83,333	0.03%
Ong Wui Leng	138,888	–	–	–	138,888	0.05%

Notes:

(1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(3) 3,331,200 shares and 3,579,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

(4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

(iii) Long positions in the shares and underlying shares of associated corporations of the Company

Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS Thailand"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal Interests	Corporate interests *(Note)*	Total number of issued ordinary shares held in SiS Thailand	Approximate% of issued share capital of SiS Thailand
Lim Kia Hong	241,875	165,616,595	165,858,470	47.36%
Lim Hwee Hai	244,687	–	244,687	0.07%

Note:
The Company indirectly holds 165,616,595 ordinary shares of the issued capital of SiS Thailand. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.73% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thailand under the SFO.

(iv) Long positions in the shares and underlying shares of a subsidiary of the Company

Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh.

Name of Director	Corporate interests *(Note)*	Approximate % of issued share capital of ITCL
Lim Kiah Meng	40,059,390	53.41%

Note:
A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 7,350,000 ordinary shares in ITCL, while the Company indirectly holds 32,709,390 ordinary shares. As disclosed in (i) above, Mr. Lim and his family has total interest of 66.78% in the Company, therefore Mr. Lim has deemed corporate interest of 32,709,390 in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2014.

SHARE OPTIONS

A new share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21 May 2007 by the Company to replace the then existing share option scheme for the primary purpose of providing incentives and awards to directors and eligible employees and persons, and will expire on 20 May 2017. Under the Scheme, the Company may grant options to qualified persons, including employees and directors of the Company and its subsidiaries and associates and third parties with a view to maintain business relationship with such persons, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within ten business days from the offer letter together with a payment of HK$10 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options during the year:

				Number of share options		
Date of grant	**Vesting period**	**Exercise period**	**Exercise price** *HK$*	**Outstanding at 1.1.2014**	**Exercised during the year**	**Outstanding at 31.12.2014**
Directors and their associates:						
Lee Hiok Chuan						
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	83,333	–	83,333
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334	–	83,334
Ong Wui Leng						
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2007	1.72	83,333	(55,555)	27,778
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334	–	83,334
Total directors and their associates				333,334	(55,555)	277,779

Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options: Outstanding at 1.1.2014	Exercised during the year	Outstanding at 31.12.2014
Employees and other qualified persons:						
20.8.2007	21.8.2007 – 18.2.2008	18.2.2008 – 20.5.2017	1.72	133,332	–	133,332
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	233,334	–	233,334
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	233,334	–	233,334
Total employees and other qualified persons				600,000	–	600,000
Total number of share options				933,334	(55,555)	877,779

No share options were granted, forfeited or expired during the financial year.

The closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$3.11.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Rental expenses of HK$792,000 (2013: HK$708,000) were incurred during the year for the lease of premises from a related company. An executive director and his spouse have ultimate controlling interest in the related company. The transaction is regarded as De minimis transactions pursuant to Chapter 14A.33 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and exempted from announcement.

Other than as disclosed above, no contracts of significance to which the Company, its ultimates holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Shareholder	Personal interests	Family interests *(Note 1)*	Corporate interests *(Note 2)*	Other interests *(Note 3)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	13,050,000	–	14,970,000	5.40%
Lim Mee Hwa	1,220,000	700,000	13,050,000	–	14,970,000	5.40%
Yeoman Capital Management Pte. Ltd.	–	–	300,000	12,750,000	13,050,000	4.71%

Notes:

(1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.

(2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in Yeoman Capital Management Pte. Ltd.

(3) Yeoman Capital Management Pte. Ltd. holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 46% by value of the Group's total goods sales during the year, with the largest customer accounted for 33%. The five largest suppliers of the Group comprised approximately 95% by value of the Group's total purchases during the year, with the largest supplier accounted for 85%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in September 2005.

The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK$5,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

LIM Kiah Meng
DIRECTOR

Hong Kong, 26 March 2015

Deloitte.
德勤

TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 101, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its 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 disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	*5*	**1,716,868**	1,643,902
Cost of sales		**(1,564,911)**	(1,507,160)
Gross profit		**151,957**	136,742
Other income		**21,955**	17,355
Other gains and losses	*6*	**(3,056)**	(33,728)
Distribution costs		**(34,183)**	(28,346)
Administrative expenses		**(81,423)**	(68,100)
Gain from changes in fair value of investment properties		**159,440**	223,111
Share of results of associates		**20,808**	34,232
Share of results of joint ventures		**(153)**	(7,661)
Listing expense	*7*	**(31,415)**	–
Finance costs		**(18,327)**	(7,371)
Profit before taxation		**185,603**	266,234
Income tax expense	*8*	**(9,736)**	(11,146)
Profit for the year	*9*	**175,867**	255,088
Profit for the year attributable to:			
Owners of the Company		**176,174**	254,368
Non-controlling interests		**(307)**	720
		175,867	255,088
		HK Cents	*HK Cents*
Earnings per share	*13*		
Basic		**63.6**	91.8
Diluted		**63.5**	91.7

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 *HK$'000*	2013 *HK$'000*
Profit for the year	**175,867**	255,088
Other comprehensive income (expense):		
Items that may be reclassified to profit or loss		
Gain from changes in fair value of available-for-sale investments	**12,585**	4,095
Exchange realignment arising on translation of foreign operations	**(36,850)**	(4,197)
Exchange realignment arising on translation of associates and joint ventures	**338**	(13,510)
Other comprehensive expense for the year	**(23,927)**	(13,612)
Total comprehensive income for the year attributable to:		
Owners of the Company	**152,772**	238,888
Non-controlling interests	**(832)**	2,588
	151,940	241,476

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Investment properties	14	**2,015,865**	1,845,752
Property, plant and equipment	15	**191,012**	68,077
Goodwill	16	**11,509**	11,509
Intangible assets	17	**45,568**	47,836
Interests in associates	18	**166,067**	152,838
Interests in joint ventures	19	**–**	–
Available-for-sale investments	20	**136,640**	99,214
		2,566,661	2,225,226
Current assets			
Inventories		**74,880**	131,427
Trade and other receivables, deposits and prepayments	21	**126,741**	173,343
Amount due from a joint venture	22	**8,741**	–
Derivative financial instruments	26	**13,254**	7,690
Tax recoverable		**3,157**	71
Investments held-for-trading	23	**11,248**	11,097
Pledged deposits	24	**493,522**	444,035
Bank balances and cash	24	**327,583**	341,746
		1,059,126	1,109,409
Current liabilities			
Trade payables, other payables and accruals	25	**152,242**	140,126
Tax payable		**18,072**	23,723
Bank loans	27	**437,850**	447,269
Bank overdrafts	24	**39,084**	32,590
		647,248	643,708
Net current assets		**411,878**	465,701
Total assets less current liabilities		**2,978,539**	2,690,927
Non-current liabilities			
Bank loans	27	**312,853**	209,802
Bonds	28	**106,167**	72,815
Deferred tax liabilities	29	**21,011**	14,740
Rental deposits	30	**87,268**	72,198
		527,299	369,555
Net assets		**2,451,240**	2,321,372

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	**2014** **HK$'000**	2013 HK$'000
Capital and reserves			
Share capital	31	**27,709**	27,703
Share premium		**71,488**	71,367
Reserves		**8,717**	32,151
Retained profits		**2,268,044**	2,114,037
Equity attributable to owners of the Company		**2,375,958**	2,245,258
Non-controlling interests		**75,282**	76,114
Total equity		**2,451,240**	2,321,372

The consolidated financial statements on pages 28 to 101 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Lim Kia Hong
DIRECTOR

Lim Kiah Meng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 *(Remark)*	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	27,703	71,367	20,049	23,267	933	2,860	522	1,881,832	2,028,533	–	2,028,533
Profit for the year	–	–	–	–	–	–	–	254,368	254,368	720	255,088
Other comprehensive income (expense) for the year	–	–	4,095	(19,575)	–	–	–	–	(15,480)	1,868	(13,612)
Total comprehensive income (expense) for the year	–	–	4,095	(19,575)	–	–	–	254,368	238,888	2,588	241,476
Non-controlling interest arising on acquisition of a subsidiary *(note 35)*	–	–	–	–	–	–	–	–	–	73,526	73,526
Dividend recognised as distribution *(note 12)*	–	–	–	–	–	–	–	(22,163)	(22,163)	–	(22,163)
At 31 December 2013	**27,703**	**71,367**	**24,144**	**3,692**	**933**	**2,860**	**522**	**2,114,037**	**2,245,258**	**76,114**	**2,321,372**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**176,174**	**176,174**	**(307)**	**175,867**
Other comprehensive income (expense) for the year	**-**	**-**	**12,585**	**(35,987)**	**-**	**-**	**-**	**-**	**(23,402)**	**(525)**	**(23,927)**
Total comprehensive income (expense) for the year	**-**	**-**	**12,585**	**(35,987)**	**-**	**-**	**-**	**176,174**	**152,772**	**(832)**	**151,940**
Issue of shares upon exercise of share options	**6**	**121**	**-**	**-**	**-**	**-**	**(32)**	**-**	**95**	**-**	**95**
Dividend recognised as distribution *(note 12)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,167)**	**(22,167)**	**-**	**(22,167)**
At 31 December 2014	**27,709**	**71,488**	**36,729**	**(32,295)**	**933**	**2,860**	**490**	**2,268,044**	**2,375,958**	**75,282**	**2,451,240**

Remark: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before taxation	**185,603**	266,234
Adjustments for:		
Allowance for doubtful debts	**92**	648
(Reversal of) allowance for inventories	**(713)**	351
Amortisation of intangible assets	**5,532**	4,332
Dividend income from available-for-sale investments	**(12,531)**	(1,830)
Depreciation of property, plant and equipment	**6,622**	5,625
Finance costs	**18,327**	7,371
Gain from changes in fair value of derivative financial instruments	**(17,472)**	(7,718)
Loss on disposal of available-for-sale investments	**947**	–
Loss from changes in fair value of investments held-for-trading	**178**	111
Impairment loss on amount due from a joint venture	**8,073**	–
Gain from changes in fair value of investment properties	**(159,440)**	(223,111)
Interest income	**(4,917)**	(4,975)
(Gain) loss on disposal of property, plant and equipment	**(386)**	31
Loss on deemed disposal of an associate	**–**	10,130
Share of results of associates	**(20,808)**	(34,232)
Share of results of joint ventures	**153**	7,661
Operating cash flows before movements in working capital	**9,260**	30,628
Decrease (increase) in inventories	**56,845**	(52,175)
Decrease in trade and other receivables, deposits and prepayments	**44,837**	173,379
Increase in investments held-for-trading	**(329)**	(332)
Increase in amount due from a joint venture	**(17,230)**	–
Increase (decrease) in trade payables, other payables and accruals	**52,419**	(12,703)
Decrease in bills payable	**–**	(5,107)
Cash from operations	**145,802**	133,690
Hong Kong Profits Tax paid	**(10,779)**	(6,365)
Overseas Tax paid	**(64)**	(102)
Interest paid	**(18,327)**	(7,371)
Net cash from operating activities	**116,632**	119,852

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	2014 HK$'000	2013 HK$'000
Investing activities			
Acquisition of investment properties		**(242,103)**	(503,536)
Acquisition of a subsidiary	*35*	**–**	(3,180)
Dividend received from associates		**7,917**	–
Dividend received from available-for-sale investments		**2,264**	1,830
Interest received		**4,917**	4,975
Additional investments in an associate		**–**	(46,078)
Placement of pledged deposits		**(49,487)**	(87,222)
Proceeds from disposal of available-for-sale investments		**14,864**	–
Purchase of available-for-sale investments		**(30,488)**	(7,956)
Purchase of intangible assets		**(3,968)**	(2,315)
Purchase of property, plant and equipment		**(11,166)**	(18,701)
Proceeds from disposal of assets classified as held for sale		**–**	2,367
Investment in a joint venture		**(153)**	–
Proceeds from disposal of property, plant and equipment		**650**	636
Net settlement on maturity of derivative financial instruments		**11,908**	28
Net cash used in investing activities		**(294,845)**	(659,152)
Financing activities			
Dividends paid		**(22,167)**	(22,163)
Increase in bank overdrafts		**7,040**	9,107
Issue of new shares		**95**	–
Proceeds from issue of bonds		**42,768**	72,792
New bank loans raised		**486,605**	588,372
Repayment of bank loans		**(336,783)**	(175,148)
Net cash from financing activities		**177,558**	472,960
Net decrease in cash and cash equivalents		**(655)**	(66,340)
Cash and cash equivalents at 1 January		**341,746**	410,009
Effect of foreign exchange rate changes		**(13,508)**	(1,923)
Cash and cash equivalents at 31 December represented by bank balances and cash		**327,583**	341,746

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company controlled by the executive directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong Dollar, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied all the amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial period beginning on 1 January 2014.

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) – Int 21	Levies

The application of these amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[6]
HKFRS 15	Revenue from Contracts with Customers[5]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

Key requirements of HKFRS 9 which may be applicable to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are in the process of assessing the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the directors of the Company have performed a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company have performed a detailed review.

Except as described above, the directors of the Company do not anticipate that the application of the other new and revised HKFRSs and amendments will have material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Where a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases where the Group is a lessor are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

Rental income from operating leases where the Group is the lessor is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

Intangible assets

Internally-generated intangible assets

Expenditure on research items, if any, is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, amount due from a joint venture, pledged deposits and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise investments held-for-trading and derivative financial instruments.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of a portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or are not classified as any other categories of financial assets.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held-for-trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held-for-trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank loans and bank overdrafts) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on assets (continued)

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (including a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the distribution of mobile and IT products and property investment. No operating segments identified by the chief decision makers have been aggregated in arriving at the reportable segments of the Group. Segment liabilities have not been presented as these are not reportable to the chief operating decision makers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the year:

	For the year ended 31 December 2014		
	Distribution of mobile and IT products *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
External sales	**1,532,357**	**184,511**	**1,716,868**
Segment profit	**9,202**	**237,156**	**246,358**
Loss from changes in fair value of investments held-for-trading			**(178)**
Income from investments held-for-trading and available-for-sale investments			**12,244**
Share of results of associates			**20,808**
Share of results of joint ventures			**(153)**
Listing expense			**(31,415)**
Finance costs			**(18,327)**
Other unallocated income			**4,917**
Unallocated corporate expenses			**(48,651)**
Profit before taxation			**185,603**

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	For the year ended 31 December 2013		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	1,505,565	138,337	1,643,902
Segment profit	64,032	260,103	324,135
Loss from changes in fair value of investments held-for-trading			(111)
Income from investments held-for-trading and available-for-sale investments			2,464
Loss on deemed disposal of associates			(10,130)
Share of results of associates			34,232
Share of result of joint venture			(7,661)
Finance costs			(7,371)
Other unallocated income			4,975
Unallocated corporate expenses			(74,299)
Profit before taxation			266,234

The accounting policies adopted in preparing the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, share of results of associates and joint ventures, loss on deemed disposal of associates, investment income, listing expense and finance costs.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	At 31 December 2014		
	Distribution of mobile and IT products *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**292,995**	**2,175,346**	**2,468,341**
Interests in associates			**166,067**
Unallocated corporate assets			**991,379**
Consolidated total assets			**3,625,787**

	At 31 December 2013		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment assets	397,397	1,886,926	2,284,323
Interests in associates			152,838
Unallocated corporate assets			897,474
Consolidated total assets			3,334,635

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank deposits and unallocated corporate assets, interests in associates and joint venture, available-for-sale investments, and investments held-for-trading.

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2014			
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions	**10,805**	**246,432**	**–**	**257,237**
Allowance for doubtful debts	**72**	**–**	**20**	**92**
Reversal of allowance for inventories	**713**	**–**	**–**	**713**
Depreciation and amortisation	**11,071**	**869**	**214**	**12,154**
Gain from changes in fair value of investment properties	**–**	**159,440**	**–**	**159,440**

	For the year ended 31 December 2013			
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions	18,005	504,232	–	522,237
Allowance for doubtful debts	629	–	19	648
Allowance for inventories	351	–	–	351
Depreciation and amortisation	8,923	817	217	9,957
Gain from changes in fair value of investment properties	–	223,111	–	223,111

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

Majority of the Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Singapore, Japan and Bangladesh).

Information about the Group's revenue by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,437,721**	1,307,179	**1,067,127**	983,907
Singapore	**54,612**	172,412	**46,142**	47,610
Japan	**163,302**	119,911	**1,046,650**	837,065
Bangladesh	**61,233**	44,400	**104,035**	104,592
	1,716,868	1,643,902	**2,263,954**	1,973,174

Non-current assets excluded financial instruments, deferred tax assets, interests in associates and joint ventures.

Major customer information

Revenue from customers contributing over 10% of the total revenue of the Group is from one (2013: one) customer with total amount of HK$564,633,000 (2013: HK$199,125,000) in relation to the segment of distribution of mobile and IT products.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties leased for the year. An analysis of the Group's revenue for the year is as follows:

	2014	2013
	HK$000	*HK$000*
Distribution of mobile and IT products	**1,532,357**	1,505,565
Leasing of investment properties	**184,511**	138,337
	1,716,868	1,643,902

6. OTHER GAINS AND LOSSES

	2014	2013
	HK$000	*HK$000*
Loss from changes in fair value of investments held-for-trading	**(178)**	(111)
Exchange loss, net	**(19,789)**	(31,174)
Gain from changes in fair value of derivative financial instruments	**17,472**	7,718
Loss on disposal of available-for-sale investments	**(947)**	–
Gain (loss) on disposal of property, plant and equipment	**386**	(31)
Loss on deemed disposal of associates	**–**	(10,130)
	(3,056)	(33,728)

7. LISTING EXPENSE

The amount represents professional fees and other expenses incurred in preparation for the listing of a subsidiary's shares.

8. INCOME TAX EXPENSE

	2014	2013
	HK$000	*HK$000*
Current tax:		
Hong Kong	**2,255**	3,338
Overseas	**405**	1,934
	2,660	5,272
Under(over)provision in prior years		
Hong Kong	**203**	(215)
Overseas	**67**	(8,995)
	2,930	(3,938)
Deferred taxation *(note 29)*	**6,806**	15,084
	9,736	11,146

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

8. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation	**185,603**	266,234
Tax at the domestic income tax rate of 16.5% *(note)*	**30,624**	43,929
Tax effect of share of results of associates	**(3,433)**	(5,648)
Tax effect of share of results of joint ventures	**25**	1,264
Tax effect of expenses not deductible for tax purposes	**23,052**	24,296
Tax effect of income not taxable for tax purposes	**(52,742)**	(58,032)
Tax effect of tax losses/deductible temporary differences not recognised	**4,363**	1,195
Under(over)provision in prior years	**270**	(9,210)
Utilisation of tax losses/deductible temporary differences previously not recognised	**(7)**	(2,209)
Effect of different tax rates of subsidiaries	**360**	611
Withholding tax on share of results of subsidiaries and an associate	**6,797**	15,084
Others	**427**	(134)
Income tax expense	**9,736**	11,146

Note:
Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.

Following the disposal of subsidiaries on 3 January 2011, a final assessment was issued by an overseas tax authority and concluded that no income tax is to be levied on certain sales transactions. Accordingly, the provision for income tax and other related expenses amounted HK$8,705,000 and HK$7,444,000 respectively, were reversed in 2013.

9. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Allowance for doubtful debts	**92**	648
Amortisation of intangible assets	**5,532**	4,332
Auditor's remuneration	**2,245**	1,561
Cost of inventories recognised as an expense *(note a)*	**1,459,850**	1,405,768
Depreciation of property, plant and equipment	**6,622**	5,625
Impairment loss on amount due from a joint venture	**8,073**	–
Interest on bank loans, overdrafts and bonds		
– wholly repayable within 5 years	**10,227**	6,092
– not wholly repayable within 5 years	**8,100**	1,279
	18,327	7,371
Operating lease rentals in respect of rented premises	**9,566**	5,996
Staff costs *(note b)*	**55,098**	52,850
and after crediting:		
Gross rental income from investment properties	**184,511**	138,337
Less: Direct operating expenses	**(105,061)**	(101,391)
Net rental income	**79,450**	36,946
Dividend income from available-for-sale investments	**12,531**	1,830
Dividend income from investments held-for-trading	**660**	634
Interest on bank deposits	**4,917**	4,975
Reversal of overprovision for tax related expenses	**–**	7,444
Share of tax credit of associates (included in share of results of associates)	**5,340**	3,896

Notes:

(a) Cost of inventories includes reversal of allowance for inventories of HK$713,000 (2013: allowance for inventories of HK$351,000).

(b) Staff costs include emoluments to directors as set out in note 10. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK$1,659,000 (2013: HK$1,598,000).

10. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer during the year are as follows:

	Fees	Salaries and other benefits	Performance bonus	Contributions to retirement benefit scheme	2014 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	157	4,919	1,050	52	6,178
Mr. Lim Kiah Meng	157	4,705	1,050	39	5,951
Mr. Lim Hwee Hai	157	4,171	1,050	34	5,412
Madam Lim Hwee Noi	126	2,237	700	33	3,096
	597	16,032	3,850	158	20,637
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael	280	–	–	–	280
	840	–	–	–	840
	1,437	16,032	3,850	158	21,477

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance bonus *HK$'000*	Contributions to retirement benefit scheme *HK$'000*	2013 Total *HK$'000*
Executive directors:					
Mr. Lim Kia Hong					
(Chief executive officer)	126	4,931	1,050	53	6,160
Mr. Lim Kiah Meng	126	4,407	1,050	45	5,628
Mr. Lim Hwee Hai	126	4,182	1,050	35	5,393
Madam Lim Hwee Noi	126	2,246	700	33	3,105
	504	15,766	3,850	166	20,286
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael	280	–	–	–	280
	840	–	–	–	840
	1,344	15,766	3,850	166	21,126

The performance bonus is determined by reference to the performance of the Group and individual directors.

No directors waived any of their emoluments during the two years ended 31 December 2013 and 31 December 2014.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors whose emoluments are disclosed in note 10 above. The emoluments of the remaining one (2013: one) individual are as follow:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**2,260**	1,960
Contributions to retirement benefit scheme	**12**	12
	2,272	1,972

12. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2013 of 5.0 HK cents per share (2013: 5.0 HK cents per share in respect of the year ended 31 December 2012)	**13,854**	13,852
Special dividend, paid in respect of the year ended 31 December 2013 of 3.0 HK cents per share (2013: 3.0 HK cents per share in respect of the year ended 31 December 2012)	**8,313**	8,311
	22,167	22,163

The directors resolved the payment of a special interim dividend by way of distribution in specie (the “Distribution”) to the qualified shareholders, being the registered holders of the Company’s shares whose names appear on the register of members of the Company on 12 January 2015 in the proportion of thirty-two shares of SiS Mobile Holdings Limited (“SiS Mobile”) for every one hundred shares in the Company held at the close of business on the Distribution record date. The share certificates of SiS Mobile have been despatched to qualified shareholders on 14 January 2015.

A final dividend of 5.0 HK cents per share amounting to HK$13,868,000 for the year ended 31 December 2014 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$176,174,000 (2013: HK$254,368,000) and the weighted average number of ordinary shares calculated below.

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**277,062,403**	277,033,332
Effect of dilutive potential ordinary share:		
Share options issued by the Company	**416,249**	402,184
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**277,478,652**	277,435,516

The effect of dilutive potential ordinary shares of an associate is considered to be insignificant.

14. INVESTMENT PROPERTIES

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**1,845,752**	1,212,458
Exchange realignment	**(111,430)**	(93,353)
Additions	**242,103**	503,536
Gain from changes in fair value recognised in profit or loss	**159,440**	223,111
Transfer to property, plant and equipment	**(120,000)**	–
At 31 December	**2,015,865**	1,845,752

An analysis of the investment properties, which are stated at fair value, by geographical location and lease term is as follows:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong		
long lease	**851,600**	896,200
medium-term lease	**72,200**	66,600
Japan		
freehold	**794,131**	589,559
medium-term lease	**252,519**	246,989
Singapore		
freehold	**19,045**	20,658
medium-term lease	**26,370**	25,746
	2,015,865	1,845,752

14. INVESTMENT PROPERTIES (CONTINUED)

All of the Group's property interests, which are held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

The fair values of the investment properties in Hong Kong, Japan and Singapore, as at the end of the reporting period, have been arrived at on the basis of valuations carried out on that date by DTZ Debenham Tie Leung Ltd., CBRE KK, DTZ Debenham Tie Leung KK, and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. There has been no change from the valuation techniques used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, which ranged from 5.1% to 6.9% (2013: 6.0% to 6.9%). An increase in the capitalisation rate used would result in a decrease in the fair value measurement of the investment properties and vice versa.

The key inputs used in valuing the investment properties located in Hong Kong and Singapore were the price per square metre, using market comparables and taking into account of the location and other individual factors such as road frontage, size of property etc. The higher the price, the higher the fair value.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 31 December 2013 are as follows:

	Fair value hierarchy: Level 3 *HK$'000*	**Fair value as at 31.12.2014** *HK$'000*
Properties located in Hong Kong and Singapore	**639,015**	**969,215**
Properties located in Japan	**1,046,650**	**1,046,650**
	1,685,665	**2,015,865**

	Fair value hierarchy: Level 3 *HK$'000*	Fair value as at 31.12.2013 *HK$'000*
Properties located in Hong Kong and Singapore	613,404	1,009,204
Properties located in Japan	836,548	836,548
	1,449,952	1,845,752

There were no transfer into or out of level 3 during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building in Hong Kong under long lease HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2013	18,888	4,441	3,479	2,562	29,370
Exchange realignment	–	54	708	(72)	690
Additions	–	412	17,534	755	18,701
Acquisition of a subsidiary *(note 35)*	–	2,126	29,225	–	31,351
Disposals	–	(45)	–	(755)	(800)
At 31 December 2013	**18,888**	**6,988**	**50,946**	**2,490**	**79,312**
Exchange realignment	**–**	**(36)**	**(1,488)**	**(103)**	**(1,627)**
Additions	**–**	**4,345**	**6,821**	**–**	**11,166**
Disposals	**–**	**–**	**(744)**	**–**	**(744)**
Transfer from investment properties	**120,000**	**–**	**–**	**–**	**120,000**
At 31 December 2014	**138,888**	**11,297**	**55,535**	**2,387**	**208,107**
DEPRECIATION					
At 1 January 2013	1,135	2,297	693	1,673	5,798
Exchange realignment	–	–	(3)	(52)	(55)
Provided for the year	99	1,055	4,091	380	5,625
Eliminated on disposals	–	(45)	–	(88)	(133)
At 31 December 2013	**1,234**	**3,307**	**4,781**	**1,913**	**11,235**
Exchange realignment	**–**	**(7)**	**(184)**	**(91)**	**(282)**
Provided for the year	**99**	**1,279**	**4,955**	**289**	**6,622**
Eliminated on disposals	**–**	**–**	**(480)**	**–**	**(480)**
At 31 December 2014	**1,333**	**4,579**	**9,072**	**2,111**	**17,095**
CARRYING VALUES					
At 31 December 2014	**137,555**	**6,718**	**46,463**	**276**	**191,012**
At 31 December 2013	17,654	3,681	46,165	577	68,077

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20%

16. GOODWILL

	HK$'000
Arising on acquisition of a subsidiary and as at 31 December 2013 and 31 December 2014	11,509

For the purposes of impairment testing, goodwill has been allocated to a cash-generating unit ("CGU") which is a subsidiary engaging in the business of provision of financial services and mobile banking solutions in Bangladesh.

During the year ended 31 December 2014, management of the Group determined that there is no impairment of the CGU containing goodwill. The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined based on the value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 5-year period and a discount rate of 20.22% (2013: 20.22%). Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

17. INTANGIBLE ASSETS

	Softwares *HK$'000*	Customer relationships *HK$'000*	Consolidated *HK$'000*
COST			
Acquisition of a subsidiary *(note 35)*	38,708	9,918	48,626
Exchange realignment	977	250	1,227
Additions	2,315	–	2,315
At 31 December 2013	**42,000**	**10,168**	**52,168**
Exchange realignment	**(704)**	**(170)**	**(874)**
Additions	**3,968**	**–**	**3,968**
At 31 December 2014	**45,264**	**9,998**	**55,262**
AMORTISATION			
Charge for the year	3,485	847	4,332
At 31 December 2013	**3,485**	**847**	**4,332**
Exchange realignment	**(138)**	**(32)**	**(170)**
Charge for the year	**4,514**	**1,018**	**5,532**
At 31 December 2014	**7,861**	**1,833**	**9,694**
CARRYING VALUE			
At 31 December 2014	**37,403**	**8,165**	**45,568**
At 31 December 2013	38,515	9,321	47,836

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis not more than 10 years.

18. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Cost of investment in associates		
Listed overseas	**75,927**	75,927
Share of post-acquisition profits and reserves, net of dividend received	**90,140**	76,911
	166,067	152,838
Fair value of a listed associate	**194,646**	174,321

Details of the principal associate at the end of the reporting period are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company 2014	2013	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	**47.3%**	47.3%	Distribution of mobile and IT products and provision of services

The summarised financial information in respect of the Group's associates is set out below:

	2014 HK$'000	2013 HK$'000
Total assets	**1,191,244**	1,190,635
Total liabilities	**(841,272)**	(868,674)
Net assets	**349,972**	321,961
Group's share of net assets of associates	**166,067**	152,838
Total revenue	**4,434,490**	4,757,433
Total profit for the year	**43,998**	72,267
Group's share of the total profit of associates for the year	**20,808**	34,232

18. INTERESTS IN ASSOCIATES (CONTINUED)

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of profit (losses) of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2014	2013
	HK$'000	*HK$'000*
Unrecognised share of profit of associates for the year	**9**	70
Accumulated unrecognised share of losses of associates	**(1,623)**	(1,632)

19. INTERESTS IN JOINT VENTURES

	2014	2013
	HK$'000	*HK$'000*
Cost of investments	**12,832**	12,679
Share of post-acquisition loss and reserves	**(3,789)**	(3,636)
	9,043	9,043
Less: impairment allowance	**(9,043)**	(9,043)
	–	–

Details of the joint ventures at the end of the reporting period are as follows:

Name of company	Form of business	Country of incorporation/ operation	Proportion of capital held indirectly by the Company		Principal activities
			2014	2013	
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	PRC	**25.6%**	25.6%	Manufacture of electronic products
SiS Inflexionpoint Pte Ltd ("Inflexionpoint")	Limited company	Singapore	**25.0%**	–	Distribution of IT products

Hangxin and Inflexionpoint are jointly controlled by the Group and the other equity-holders by virtue of contractual arrangements amongst equity-holders. All major decisions of Hangxin and Inflexionpoint require unanimous consent from all the equity-holders.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

The summarised financial information of the joint ventures, that are not individually material.

	2014 HK$'000	2013 HK$'000
The Group's share of loss and other comprehensive expense	**(153)**	(7,661)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 HK$'000	2013 HK$'000
Equity securities		
Listed overseas, at fair value	**73,768**	66,728
Unlisted, at cost	**61,572**	31,186
Club debentures, unlisted, at cost	**1,300**	1,300
	136,640	99,214

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges. The unlisted equity securities are measured at cost less impairment, if any, because the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The unlisted equity securities represent investment in entities carrying on IT related business and development of hospitality business for strategic and capital appreciation purposes.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 HK$'000	2013 HK$'000
Trade receivables	**77,525**	98,742
Less: allowance for doubtful debts	**(7,581)**	(7,539)
	69,944	91,203
GST receivable	**–**	8,489
Consumption tax receivable	**13,290**	17,559
Deposits, prepayments and other receivables	**43,507**	56,092
	126,741	173,343

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. For sales of electronic devices to banks, sales in Bangladesh are on instalment basis. No credit period is granted to customers for renting of properties and related company. Rent is payable in advance on presentation of a demand note. No interest is charged on overdue debts.

Included in the trade receivable balance are debts with total carrying amount of HK$42,634,000 (2013: HK$46,627,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the end of the reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

The aging of these trade receivables which are past due but not impaired are as follows:

	2014	2013
	HK$000	*HK$'000*
Overdue:		
Within 30 days	**12,663**	29,085
31 to 90 days	**6,009**	8,485
91 to 120 days	**341**	845
Over 120 days	**23,621**	8,212
	42,634	46,627

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of reporting period	**7,539**	464
Acquired on acquisition of a subsidiary	**–**	6,735
Impairment losses recognised	**92**	648
Amounts written off as uncollectible	**(50)**	(308)
Balance at end of the reporting period	**7,581**	7,539

The allowance for doubtful debts is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2014	2013
	HK$000	*HK$'000*
Within 30 days	**21,387**	47,050
31 to 90 days	**19,161**	28,340
91 to 120 days	**1,805**	1,152
Over 120 days	**27,591**	14,661
	69,944	91,203

22. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, interest free and allows credit terms of 30 days.

23. INVESTMENTS HELD-FOR-TRADING

	2014	2013
	HK$'000	*HK$'000*
Equity securities listed overseas, at fair value	**11,248**	11,097

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

24. PLEDGED DEPOSITS/BANK BALANCE/BANK OVERDRAFTS

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.001% to 15% (2013: 0.001% to 15%) per annum with an original maturity of three months or less.

Pledged deposits and bank balances that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK$327,555,000 (2013: HK$394,331,000).

Bank overdraft of HK$39,084,000 (2013: HK$32,590,000), bear interest at variable market interest rate of 15.5% (2013: 16%) per annum.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**52,771**	67,080
Rental deposits received	**12,988**	14,868
Accrued staff costs	**21,597**	23,821
Other payables and accruals	**64,886**	34,357
	152,242	140,126

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States Dollar, currency other than the functional currencies of the relevant group entities amounted to HK$28,347,000 (2013: HK$3,603,000).

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**34,532**	63,015
31 to 90 days	**15,380**	3,921
91 to 120 days	**127**	144
Over 120 days	**2,732**	–
	52,771	67,080

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
	HK$'000	*HK$'000*
Foreign currency forward contracts	**13,254**	7,690

The Group entered into foreign currency forward contracts with total principal amount of US$23,000,000 (2013: US$10,000,000) to sell varying amounts of Japanese Yen ("JPY") at specified rate(s) from JPY103.95 to JPY119.17 for US$1 (2013: from JPY91.33 to JPY93.75 for US$1). The mature dates of these forward contracts ranges from 2 April 2015 to 17 December 2015 (2013: ranged from 28 January 2014 to 19 February 2014).

27. BANK LOANS

	2014	2013
	HK$'000	*HK$'000*
Bank borrowings	**750,703**	657,071
Secured	**745,703**	546,757
Unsecured	**5,000**	110,314
	750,703	657,071
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**437,850**	447,269
More than one year but not more than two years	**7,696**	–
More than two years but not more than five years	**2,520**	209,802
More than five years	**302,637**	–
	750,703	657,071
Less: Amounts due within one year shown under current liabilities	**(437,850)**	(447,269)
Amounts shown under non-current liabilities	**312,853**	209,802

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate, Singapore Interbank Offer Rate or JPY London Interbank Offer Rate plus a margin, ranging from 0.45% to 1.90% per annum (2013: London Interbank Offer Rate, Singapore Interbank Offer Rate or JPY London Interbank Offer Rate plus 0.51% to 1.90% per annum).

As at the end of the reporting period, the Group had Japanese Yen denominated bank loans of HK$703,325,000 (2013: HK$609,571,000). All other bank borrowings are denominated in Hong Kong Dollar.

28. BONDS

Bonds with aggregate principal amount of JPY1,660,000,000 (2013: JPY1,000,000,000) (equivalent to HK$107,568,000 (2013: HK$73,900,000)) to be due on 31 October 2021 and 30 July 2024 (2013: 31 October 2021). The bonds, denominated and settled in JPY, bear interest at rate of JPY base rate plus 1.55% per annum and JPY London Interbank Offer Rate plus 1.9% per annum (2013: JPY London Interbank Offer Rate plus 1.9% per annum), payable quarterly.

29. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Allowances for doubtful debts/ inventories	Tax losses	Undistributed earnings of subsidiaries and an associate	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	(6,812)	1,356	6,764	(1,011)	(25)	272
Exchange realignment	–	–	–	72	–	72
(Charge) credit to profit or loss	(1,666)	–	1,666	(15,084)	–	(15,084)
At 31 December 2013	**(8,478)**	**1,356**	**8,430**	**(16,023)**	**(25)**	**(14,740)**
Exchange realignment	**–**	**–**	**–**	**535**	**–**	**535**
(Charge) credit to profit or loss	**307**	**–**	**(316)**	**(6,797)**	**–**	**(6,806)**
At 31 December 2014	**(8,171)**	**1,356**	**8,114**	**(22,285)**	**(25)**	**(21,011)**

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK$50,721,000 (2013: HK$52,322,000) and unutilised tax losses of HK$149,416,000 (2013: HK$121,209,000). A deferred tax asset has been recognised in respect of the tax losses of HK$49,176,000 (2013: HK$51,091,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$100,240,000 (2013: HK$70,118,000) and the deductible temporary differences due to the unpredictability of future assessable profit streams. All tax losses can be brought forward indefinitely.

30. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases which fall due not within one year from the end of the reporting period.

31. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2014	2013	**2014** *HK$'000*	2013 *HK$'000*
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year	**277,033,332**	277,033,332	**27,703**	27,703
Exercise of share options at HK$1.72 per share	**55,555**	–	**6**	–
At end of year	**277,088,887**	277,033,332	**27,709**	27,703

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 *HK$'000*	2013 *HK$'000*
Financial assets		
Available-for-sale investments	**136,640**	99,214
Derivative financial instruments	**13,254**	7,690
Investments held-for-trading	**11,248**	11,097
Loans and receivables (including cash and cash equivalents)	**924,732**	944,816
Financial liabilities		
Financial liabilities stated at amortised cost	**1,000,967**	857,597

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, derivative financial instruments, investments held-for-trading, trade and other receivables, pledged deposits, bank balances, trade and other payables, bank overdrafts and bank loans. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

(i) Currency risk

Certain purchase of goods of the Group are denominated in United States Dollar. Certain bank balances are denominated in United States Dollar, Australian Dollar, Singapore Dollar, New Zealand Dollar, Malaysian Riggit, Indonesian Rupiah, Japanese Yen and Renminbi, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollar	**491,779**	177,857	**28,347**	3,603
Australian Dollar	**11,484**	78,565	**–**	–
Singapore Dollar	**32,063**	201,850	**468**	491
New Zealand Dollar	**–**	2,423	**–**	–
Malaysian Riggit	**3,929**	4,106	**–**	–
Indonesian Rupiah	**–**	16,338	**–**	–
Japanese Yen	**698**	24,478	**246,893**	225,081
Renminbi	**3,708**	3,714	**–**	–

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following analysis indicates the change in the Group's pre-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

	2014		2013	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in pre-tax profit**	Increase (decrease) in foreign exchange rates	Increase (decrease) in pre-tax profit
	%	***HK$'000***	*%*	*HK$'000*
Non-derivative financial instruments				
United States Dollar	**1.5**	**6,951**	1.5	2,614
	(1.5)	**(6,951)**	(1.5)	(2,614)
Australian Dollar	**10.0**	**1,148**	10.0	7,857
	(10.0)	**(1,148)**	(10.0)	(7,857)
Singapore Dollar	**5.0**	**1,580**	5.0	10,068
	(5.0)	**(1,580)**	(5.0)	(10,068)
New Zealand Dollar	**10.0**	**–**	10.0	242
	(10.0)	**–**	(10.0)	(242)
Malaysian Riggit	**5.0**	**196**	5.0	205
	(5.0)	**(196)**	(5.0)	(205)
Indonesian Rupiah	**10.0**	**–**	10.0	1,634
	(10.0)	**–**	(10.0)	(1,634)
Japanese Yen	**10.0**	**(24,620)**	10.0	(20,060)
	(10.0)	**24,620**	(10.0)	20,060
Renminbi	**5.0**	**185**	10.0	371
	(5.0)	**(185)**	(10.0)	(371)
Derivative financial instruments				
Japanese Yen	**5.0**	**(3,120)**	5.0	(3,714)
	(5.0)	**3,120**	(5.0)	3,714

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2013: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$1,125,000 (2013: HK$1,110,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2013: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK$7,377,000 (2013: HK$6,673,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The bank balances comprising short term bank deposits, bank loans, bank overdrafts and bonds carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2014 would decrease/increase by HK$2,842,000 (2013: HK$2,104,000). The analysis is prepared assuming the amounts of bank balances, bank loans, bank overdrafts and bonds outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Singapore which accounted for majority of the trade receivables at 31 December 2014.

The Group has concentration of credit risk on loans and receivable of which 89% (2013: 83%) are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Liquidity risk

	Weighted average interest rate	Within 3 months	3 – 6 months	7 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2014									
Non-derivative financial liabilities									
Trade and other payables	N/A	105,013	-	-	-	-	-	105,013	105,013
Bank loans	1.43	204,779	3,057	219,456	7,696	2,520	320,282	757,790	750,703
Bank overdrafts	15.5	39,084	-	-	-	-	-	39,084	39,084
Bonds	1.88	505	505	1,011	2,022	6,065	115,236	125,344	106,167
		349,381	3,562	220,467	9,718	8,585	435,518	1,027,231	1,000,967
Derivative financial instruments									
Foreign currency forward contracts									
– cash inflows		-	(46,800)	(132,600)	-	-	-	(179,400)	(179,400)
– cash outflows		-	40,053	126,093	-	-	-	166,146	166,146
		-	(6,747)	(6,507)	-	-	-	(13,254)	(13,254)

	Weighted average interest rate	Within 3 months	3 – 6 months	7 – 12 months	1 – 2 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013								
Non-derivative financial liabilities								
Trade and other payables	N/A	95,121	–	–	–	–	95,121	95,121
Bank loans	1.18	425,942	1,866	16,428	686	242,731	687,653	657,071
Bank overdrafts	16.0	32,590	–	–	–	–	32,590	32,590
Bonds	2.09	386	386	772	1,543	82,901	85,988	72,815
		554,039	2,252	17,200	2,229	325,632	901,352	857,597
Derivative financial instruments								
Foreign currency forward contracts								
– cash inflows		(75,898)	–	–	–	–	(75,898)	(75,898)
– cash outflows		68,208	–	–	–	–	68,208	68,208
		(7,690)	–	–	–	–	(7,690)	(7,690)

33. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2014

	Fair value hierarchy		
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Total** *HK$'000*
Listed securities classified as investments held for trading	**11,248**	**–**	**11,248**
Listed securities classified as available-for-sale investments	**73,768**	**–**	**73,768**
Derivative financial instruments – Foreign currency forward contracts	**–**	**13,254**	**13,254**
Total	**85,016**	**13,254**	**98,270**

33. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

At 31 December 2013

	Fair value hierarchy		
	Level 1	Level 2	Total
	HK$'000	*HK$'000*	*HK$'000*
Listed securities classified as investments held for trading	11,097	–	11,097
Listed securities classified as available-for-sale investments	66,728	–	66,728
Derivative financial instruments – Foreign currency forward contracts	–	7,690	7,690
Total	77,825	7,690	85,515

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

There were no transfers between Levels 1, 2 and 3 during the year.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

34. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

In applying the entity's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, the directors of the Company have taken into the carrying amount of joint ventures and the present value of the estimated future cash flows from the joint ventures. Where the actual cash flows generated from the investment is less than expected, a material impairment loss may arise. As at 31 December 2014, impairment loss on interest in joint ventures were HK$9,043,000 (2013: HK$9,043,000).

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The cause of fluctuations in the fair value of the assets are explained and reported to the management periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of Group's assets. Notes 14 and 33c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the various assets.

35. ACQUISITION OF A SUBSIDIARY

On 7 March 2013, the Group acquired an additional 14.1% ownership interest in Information Technology Consultants Ltd. ("ITCL"), a then associate of the Group, for a consideration of HK$22,104,000. Upon the completion of acquisition, the Group owned 43.6% ownership interest in ITCL and, in accordance with HKFRS 10, the Group assessed that it has control over ITCL, so the transaction has been accounted for as business combination using the acquisition method. ITCL is principally engaged in the business of provision of financial services and mobile banking solutions in the People's Republic of Bangladesh and was acquired with the objective to invest in promising information technology business and expansion of business in emerging countries.

35. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Consideration paid

	HK$'000
Cash	22,104

Acquisition-related costs relating to the above acquisition are immaterial and excluded from the cost of acquisition and have been recognised directly as administrative expenses in the statement of profit or loss.

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	31,351
Intangible assets	48,626
Current assets	
Inventories	3,474
Trade and other receivables, deposits and prepayments *(Note)*	58,643
Bank balances and cash	18,924
Current liabilities	
Trade payables, other payables and accruals	(6,479)
Tax payable	(1,214)
Bank overdrafts	(22,959)
Total identifiable net assets	130,366

Note: The trade and other receivables acquired with a fair value of HK$25,164,000 had gross contractual amounts of HK$31,524,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Non-controlling interests

The non-controlling interests (56.4%) in ITCL recognised at acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of ITCL.

35. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition

	HK$'000
Consideration paid	22,104
Add: non-controlling interests	73,526
fair value of previously held ownership interest	46,245
Less: recognised amount of net identifiable assets acquired	(130,366)
Goodwill arising on acquisition	11,509

Goodwill arose in the acquisition of ITCL because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of ITCL. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Loss on previously held ownership interest in ITCL acquired in step acquisition

	HK$'000
Carrying amount of previously held ownership interest	55,336
Fair value of previously held ownership interest	(46,245)
Loss	9,091

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	22,104
Less: cash and cash equivalent balances acquired	(18,924)
	3,180

Impact of acquisition on the results of the Group

Included in the revenue and profit for the year ended 31 December 2013 were HK$44,400,000 and HK$875,000 respectively attributable to ITCL.

Had ITCL been consolidated from 1 January 2013, the total revenue and profit for the year ended 31 December 2013 of the Group would have been HK$1,651,553,000 and HK$254,712,000, respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2013, nor is it intended to be a projection of future results.

36. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**7,468**	5,935
In the second to fifth years inclusive	**13,376**	15,893
Over five years	**56,186**	67,574
	77,030	89,402

The Group has entered into agreements with unrelated third parties for leases of their land for a period of 30 years. The remaining leases were negotiated for an average term of two years and for fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**129,994**	117,043
In the second to fifth year inclusive	**322,467**	285,324
More than five years	**960,272**	892,830
	1,412,733	1,295,197

The Group has entered into agreements with the trustees for the leasing activities of the properties in Japan for a period of 3 to 30 years, whereby the Group is empowered to enter agreements with the lessees.

The remaining leases are negotiated between the Group and the tenants with majority terms of 2 to 5 years.

37. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 21 May 2007, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted on 20 August 2007 to certain directors and employees of the Group and directors of an associate at an exercise price of HK$1.72 per share and at a cash consideration of HK$10.00 per grantee. At 31 December 2014, the number of options which remained outstanding under the Scheme was 877,779 (2013: 933,334) which, if exercised in full, represents 0.3% (2013: 0.3%) of the enlarged capital of the Company. Details of the share options are as follows:

Number of share options	**Vesting period**	**Exercise period**
133,332	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017
344,445	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017
400,002	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017

The movements in the shares options during the two years ended 31 December 2013 and 31 December 2014 are as follows:

Grantee	**Outstanding at 1 January and 31 December 2013**	**Exercised during the year**	**Outstanding at 31 December 2014**
Directors	333,334	(55,555)	**277,779**
Employees and others	600,000	–	**600,000**
	933,334	(55,555)	**877,779**

No options were granted or lapsed during the two years ended 31 December 2013 and 31 December 2014.

38. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' salaries costs or HK$1,500, (before 30 June 2014: HK$1,250), whichever the lower, to the scheme.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local governments. The subsidiaries contributions to the pension schemes are ranging from 6.5% to 16% of the employees' salaries.

39. PLEDGE OF ASSETS

At the end of the reporting period,

(a) The Group's investment properties with carrying values of HK$1,436,778,000 (2013: HK$1,293,279,000) were under legal charge for purchase of investment properties and/or to secure general banking facilities available to the Group.

(b) Bank deposits of HK$493,522,000 (2013: HK$444,035,000) were pledged to secure bank borrowings.

40. RELATED PARTY TRANSACTIONS

The Group provides management service to an associate from which service income earned during the year amounted to HK$2,768,000 (2013: HK$2,843,000). The amount due from the associate at 31 December 2014 for the services provided included in trade and other receivables amounted to HK$626,000 (2013: HK$375,000).

Rental expenses of HK$792,000 (2013: HK$708,000) were incurred during the year for the lease of premises from a related company. One executive directors and the spouse have ultimate controlling interest in the related company.

A motor vehicle in property, plant and equipment was disposed of to a related company, which is solely owned by an executive director of the Company, at HK$642,000 during the year ended 31 December 2013.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 10. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

41. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2014 **%**	2013 %	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	**100**	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK$1,000	**100**	–	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
SiS Tech Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	**100**	100	Property investment
East Wealth Limited	Hong Kong	HK$1	**100**	100	Property investment
Ever Wealthy Limited	Hong Kong	HK$1	**100**	100	Investment holding
Faith Prosper Ltd.	British Virgin Islands	US$1	**100**	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	**100**	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	**100**	100	Investment holding
Information Technology Consultants Limited	Bangladesh	TK750,000,000	**43.6**	43.6	Provision of financial services and mobile banking solutions
Japan Inn K.K.	Japan	JPY295,500,000*	**100**	100	Investment holding
Otaru Assets K.K.	Japan	JPY7,128,000	**100**	–	Investment holding
Otaru Ventures Pte. Ltd.	Singapore	S$1	**100**	–	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	**99**	99	Investment holding
Qool Labs Pte. Ltd.	Singapore	S$2	**100**	100	Distribution of mobile and IT products
Qool International Limited	Hong Kong	HK$1	**100**	100	Distribution of mobile phone products

* *Registered capital was JPY265,500,000 at 31 December 2013.*

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2014	2013	
			%	%	
Qool Distribution (M) Sdn Bhd	Malaysia	RM2	**100**	100	Distribution of IT and communication products
QR Capital Limited	Hong Kong	HK$1	**100**	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd.	Singapore	S$1	**100**	100	Investment holding
SiS Capital Limited	Hong Kong	HK$1	**100**	100	Investment holding
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S$2	**100**	100	Investment holding
SiS China Limited	Hong Kong	HK$2	**100**	100	Property investment
SiS HK Limited	Hong Kong	HK$400,000	**100**	100	Property investment and securities investment
SiS Inn Pte. Ltd.	Singapore	S$1	**100**	100	Investment holding
SiS International Limited	Hong Kong	HK$1	**100**	100	Distribution of IT products
SiS Japan Inn TMK	Japan	JPY150,000	**100**	100	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
SiS Nippon Pte. Ltd.	Singapore	S$1	**100**	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	**100**	100	Distribution of mobile phone and related products
Tokutei Mokuteki Kaisha SSG8	Japan	JPY470,000,000	**100**	100	Property investment
Tokutei Mokuteki Kaisha SSG13	Japan	JPY200,000	**100**	–	Property investment

None of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests.

Name of subsidiary	Country of incorporation or registration/ operation	Proportion of nominal value of issued capital held by the Company		Loss allocated to non-controlling interests during the year	Accumulated non-controlling interest
		2014 %	2013 %	*HK$'000*	*HK$'000*
Information Technology Consultants Limited	Bangladesh	**43.6**	43.6	**(307)**	**75,282**

Summarised financial information in respect of ITCL that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2014 *HK$'000*	31.12.2013 *HK$'000*
Non-current assets	**92,513**	93,082
Current assets	**97,296**	80,796
Current liabilities	**(47,951)**	(38,877)
Non-current liabilities	**(10,105)**	–
Equity attributable to owners of the Company	**56,471**	58,887
Non-controlling interests	**75,282**	76,114

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

	Year ended 31.12.2014 ***HK$'000***	Year ended 31.12.2013 *HK$'000*
Revenue	**61,233**	44,400
Expenses	**(61,737)**	(43,525)
(Loss) profit for the year	**(504)**	875
(Loss) profit for the year attributable to owners of the Company	**(197)**	155
(Loss) profit for the year attributable to owners of the non-controlling interests	**(307)**	720
(Loss) profit for the year	**(504)**	875
Other comprehensive (expense) income attributable to owners of the Company	**(334)**	1,426
Other comprehensive (expense) income to owners of the non-controlling interests	**(525)**	1,868
Other comprehensive (expense) income for the year	**(859)**	3,294
Total comprehensive (expense) income attributable to owners of the Company	**(531)**	1,581
Total comprehensive (expense) income to owners of the non-controlling interests	**(832)**	2,588
Total comprehensive (expense) income for the year	**(1,363)**	4,169
Net cash inflow from operating activities	**618**	6,450
Net cash outflow used in investing activities	**(10,429)**	(16,693)
Net cash inflow from financing activities	**10,288**	9,051

42. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Assets		
Interest in unlisted subsidiaries	**1,203,288**	1,257,249
Bank balances and cash	**48,440**	52,731
Other assets	**50,925**	17,081
	1,302,653	1,327,061
Liabilities		
Payables and accruals	**(24,014)**	(24,855)
Net assets	**1,278,639**	1,302,206
Share capital	**27,709**	27,703
Share premium	**71,488**	71,367
Reserves *(Note below)*	**1,179,442**	1,203,136
Total equity	**1,278,639**	1,302,206

Note: The movement in reserves are presented below:

	Investments reserve	**Share options reserve**	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	5,469	522	29,186	1,210,125	1,245,302
Loss for the year	–	–	–	(13,955)	(13,955)
Other comprehensive expense for the year	(6,048)	–	–	–	(6,048)
Total comprehensive expense for the year	(6,048)	–	–	(13,955)	(20,003)
Dividend recognised as distribution	–	–	–	(22,163)	(22,163)
At 31 December 2013	**(579)**	**522**	**29,186**	**1,174,007**	**1,203,136**
Loss for the year	**–**	**–**	**–**	**(2,134)**	**(2,134)**
Other comprehensive expense for the year	**639**	**(32)**	**–**	**–**	**607**
Total comprehensive expense for the year	**639**	**(32)**	**–**	**(2,134)**	**(1,527)**
Dividend recognised as distribution	**–**	**–**	**–**	**(22,167)**	**(22,167)**
At 31 December 2014	**60**	**490**	**29,186**	**1,149,706**	**1,179,442**

43. EVENT AFTER THE REPORTING PERIOD

(i) During the year, certain subsidiaries underwent corporate reorganisation in preparation for the listing of the shares of a subsidiary, SiS Mobile Holdings Limited ("SiS Mobile"). The corporate reorganisation involved the transfers of certain wholly-owned subsidiaries of the Company to SiS Mobile by subscription of 9,999 ordinary shares of SiS Mobile at a price of HK$0.1 per share.

Subsequent to the end of the reporting period and simultaneous with the listing of the shares of SiS Mobile on the Stock Exchange of Hong Kong Limited on 15 January 2015,

(a) an amount of HK$23,519,000 was capitalised by the issuance of 235,190,000 ordinary shares of HK$0.1 each from SiS Mobile to the Company and 88,668,443 ordinary shares of SiS Mobile of HK$0.1 each were declared by the Company as a special dividend by way of distribution in specie to the Company's qualifying shareholders; and

(b) 44,800,000 ordinary shares of HK$0.1 each were issued by SiS Mobile at HK$0.82 per share to the public for a total gross proceeds of HK$36,736,000.

The reduction of the Company's equity interest in SiS Mobile and the related non-controlling interests will be recognised directly in reserve in the consolidated financial statements for the year ending 31 December 2015 in accordance with HKFRS 10.

(ii) On 11 March 2015, a subsidiary of the Group has entered into a sale and purchase agreement with a third party to acquire a trust beneficial interest in the land and building in Tsukiji in Tokyo, Japan for a consideration of JPY1.97 billion (approximately HK$128 million). The acquisition was completed on 24 March 2015.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Revenue	158,641	1,328,274	2,098,168	1,643,902	**1,716,868**
Profit before taxation	267,376	146,795	130,066	266,234	**185,603**
Income tax expense	(4,641)	(1,359)	(2,465)	(11,146)	**(9,736)**
Gain on disposal of subsidiaries constituting discontinued operations	–	549,885	31,742	–	**–**
Profit for the year	262,735	695,321	159,343	255,088	**175,867**
Attributable to:					
Owners of the Company	262,735	695,321	159,343	254,368	**176,174**
Non-controlling interests	–	–	–	720	**(307)**
	262,735	695,321	159,343	255,088	**175,867**

ASSETS AND LIABILITIES

	At 31 December				
	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Total assets	2,689,051	2,124,775	2,508,657	3,334,635	**3,625,787**
Total liabilities	(1,404,029)	(193,827)	(480,124)	(1,013,263)	**(1,174,547)**
Net assets	1,285,022	1,930,948	2,028,533	2,321,372	**2,451,240**
Attributable to:					
Owners of the Company	1,285,022	1,930,948	2,028,533	2,245,258	**2,375,958**
Non-controlling interests	–	–	–	76,114	**75,282**
	1,285,022	1,930,948	2,028,533	2,321,372	**2,451,240**

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2014

Name of property and location	Lease terms	Use
Investment properties		
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2014

Name of property and location	Lease terms	Use
Unit 6, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 7, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7/F., Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
Rinku Gate Building Tower 1 Rinku-Oraikita Izumisaho, Osaka Japan	Medium-term lease	Commercial and hotel
Toyoko Inn Naha Asahi-bashi Ekimae 1-20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2-4-28, Korinbo, Kanazawa City Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1-1 Akashicho, Hiratsuka City Kanagawa Japan	Freehold and long-term lease	Hotel
Toyoko Inn Niigata Furumachi 1168-2, 7 Bancho, Kamiokawamaedori Chuo-Ku, Niigata City, Niigata Japan	Freehold	Hotel
Toyoko Inn Tokushima Ekimae 1-5, Ryogokuhoncho, Tokushima City, Tokushima Japan	Freehold	Hotel
Dormy Inn Premium Otaru No. 123 Inaho, 3-chome, Otaru-shi, Hokkaido, Japan	Freehold	Hotel
Hakodate Rich Hotel Goryokaku 35-3, Goryokaku-chu, Hakodate-shi, Hokkaido, Japan	Freehold	Hotel