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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHT

From continuing and discontinued operations	Year ended 31 December	
	2014	2013
Turnover		
– from continuing operations	HK\$2,937 million	HK\$601 million
– discontinued operation	–	HK\$9 million
Profit attributable to owners of the Company	HK\$1,625 million	HK\$1,340 million
Basic earnings per share	HK\$5.77	HK\$4.77
Dividend per share		
– proposed final dividend	HK\$0.2	HK\$0.2
– proposed special dividend	HK\$0.1	–
	At	At
	31 December	31 December
	2014	2013
Total assets	HK\$20.0 billion	HK\$20.8 billion
Net assets	HK\$16.7 billion	HK\$15.0 billion
Total borrowings	HK\$2.2 billion	HK\$4.0 billion
Gearing ratio	13%	26%
Net asset value per share	HK\$58.7	HK\$53.5

RESULTS

The board of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014 with comparative figures for the previous years as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations			
Revenue/Turnover	2	2,937,245	600,507
Cost of sales		(1,560,771)	(153,242)
Gross profit		1,376,474	447,265
Other income	2	33,897	27,346
Selling expenses		(56,615)	(54,223)
Administrative expenses		(212,461)	(219,631)
Other operating expenses		(40,969)	(17,270)
Gain on disposal of subsidiaries		114,250	–
Net gain on fair value adjustments on investment properties		638,801	1,276,502
Finance costs	4	(52,266)	(51,335)
Share of results of a joint venture		(51)	(7)
Profit before income tax expense	5	1,801,060	1,408,647
Income tax expense	6	(156,443)	(48,836)
Profit for the year from continuing operations		1,644,617	1,359,811
Discontinued operation			
Loss for the period from discontinued operation	7	–	(21,633)
Profit for the year		1,644,617	1,338,178

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income, net of tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus/(Deficit) on revaluation of leasehold building, net of deferred tax	3,956	(40,858)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange gain on translation of financial statements of foreign operations	358	12,766
Release of exchange reserve upon disposal of subsidiaries	1,409	(18,840)
	<u>5,723</u>	<u>(46,932)</u>
Other comprehensive income for the year, net of tax	5,723	(46,932)
Total comprehensive income for the year	<u>1,650,340</u>	<u>1,291,246</u>
Profit for the year attributable to:		
Owners of the Company		
Profit for the year from continuing operations	1,625,160	1,353,118
Loss for the period from discontinued operation	–	(13,006)
	<u>1,625,160</u>	<u>1,340,112</u>
Profit for the year attributable to owners of the Company	1,625,160	1,340,112
Non-controlling interests		
Profit for the year from continuing operations	19,457	6,693
Loss for the period from discontinued operation	–	(8,627)
	<u>19,457</u>	<u>(1,934)</u>
Profit/(Loss) for the year attributable to non-controlling interests	19,457	(1,934)

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total comprehensive income attributable to:			
– Owners of the Company		1,631,175	1,287,291
– Non-controlling interests		19,165	3,955
		<u>1,650,340</u>	<u>1,291,246</u>
Earnings per share for profit from continuing and discontinued operations attributable to owners of the Company during the year	8		
Basic		<u>HK\$5.77</u>	<u>HK\$4.77</u>
Diluted		<u>HK\$5.76</u>	<u>HK\$4.72</u>
Earnings per share for profit from continuing operations attributable to owners of the Company during the year	8		
Basic		<u>HK\$5.77</u>	<u>HK\$4.82</u>
Diluted		<u>HK\$5.76</u>	<u>HK\$4.77</u>
Loss per share for loss from discontinued operation attributable to owners of the Company during the year	8		
Basic		<u>Nil</u>	<u>HK\$(0.05)</u>
Diluted		<u>Nil</u>	<u>HK\$(0.05)</u>

Consolidated Statement of Financial Position

As at 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		15,730,226	16,464,234
Property, plant and equipment		190,699	190,809
Properties held for development		27,187	46,497
Interest in a joint venture		29,211	29,158
Available-for-sale financial assets		10	10
Other receivable		35,790	–
Deferred tax assets		–	12,993
Goodwill		–	–
		<hr/> 16,013,123	<hr/> 16,743,701
Current assets			
Properties under development		2,558,459	3,252,963
Trade and other receivables	9	85,060	112,453
Deposits paid for acquisition of properties		3,105	456
Bank deposit at escrow account		179,007	298,236
Structured bank deposits		94,591	104,506
Cash and bank balances		1,070,403	310,629
		<hr/> 3,990,625	<hr/> 4,079,243
Current liabilities			
Trade and other payables	10	515,668	458,770
Deposit received in advance	11	421,108	1,277,891
Borrowings	12	2,197,920	3,955,820
Provision for income tax		111,372	30,651
		<hr/> 3,246,068	<hr/> 5,723,132
Net current assets/(liabilities)		<hr/> 744,557	<hr/> (1,643,889)
Total assets less current liabilities		<hr/> 16,757,680	<hr/> 15,099,812
Non-current liabilities			
Borrowings	12	24,011	–
Deferred tax liabilities		70,942	62,820
		<hr/> 94,953	<hr/> 62,820
Net assets		<hr/> 16,662,727	<hr/> 15,036,992

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the Company		
Share capital	28,407	28,082
Reserves	<u>16,376,430</u>	<u>14,768,891</u>
	16,404,837	14,796,973
Non-controlling interests	<u>257,890</u>	<u>240,019</u>
Total equity	<u><u>16,662,727</u></u>	<u><u>15,036,992</u></u>

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

1.1 Adoption of revised/amended HKFRSs – effective 1 January 2014

In the current year, the Company and its subsidiaries (the “Group”) have applied for the first time the following revision and amendment to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures

Except as explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding application guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

1.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
Disclosure Initiative (Amendments to HKAS 1)	Presentation of Financial Statements ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
HKFRS 9 (2014)	Financial Instruments ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Disclosure Initiative (Amendments to HKAS 1 Presentation of Financial Statements)

The amendments to HKAS 1 are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements. In addition, an amendment is made to HKAS 1 to clarify the presentation of an entity's share of other comprehensive income from its equity accounted interests in associates and joint ventures. The amendment requires an entity's share of other comprehensive income to be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Directors are not yet in a position to quantify the effects on the Group's financial statements.

2. TURNOVER

Turnover of the Group is the revenue from its principal activities. An analysis of the Group's turnover and other income is as follows:

	Continuing operations		Discontinued operation		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property assembly business						
– Sales of properties held for sale	-	-	-	-	-	-
Property development						
– Sales of properties under development	2,466,099	199,071	-	-	2,466,099	199,071
Property leasing						
– Rental and signage rental income	457,225	386,888	-	-	457,225	386,888
Building management and other services						
– Property repairs and maintenance service income	6,782	7,904	-	-	6,782	7,904
– Building management service income	7,139	6,644	-	-	7,139	6,644
Urban infrastructure						
– Urban infrastructure construction works	-	-	-	9,878	-	9,878
	<u>2,937,245</u>	<u>600,507</u>	<u>-</u>	<u>9,878</u>	<u>2,937,245</u>	<u>610,385</u>
Bank interest income	12,538	3,718	-	495	12,538	4,213
Commission income	-	655	-	-	-	655
Reversal of provision for vacant land tax	-	8,861	-	-	-	8,861
Miscellaneous income	21,359	14,112	-	943	21,359	15,055
	<u>33,897</u>	<u>27,346</u>	<u>-</u>	<u>1,438</u>	<u>33,897</u>	<u>28,784</u>
Total revenue and other income	<u>2,971,142</u>	<u>627,853</u>	<u>-</u>	<u>11,316</u>	<u>2,971,142</u>	<u>639,169</u>

3. SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined following the Group's major business lines.

The Group has identified the following reportable segments:

Property assembly business	:	Properties assembly and sales of properties
Property development	:	Development of residential and commercial properties
Property leasing	:	Property rental including signage rental and provision of office facilities and services
Building management and other services	:	Provision of building management, property repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

The Group had disposed of subsidiaries engaged in the segment of "Urban infrastructure" in 2013 and the segment was considered as a discontinued operation.

Each of these operating segments is managed separately as each of the business lines requires different resources as well as operating approaches.

The reporting segment results exclude finance costs, share of results of a joint venture, net gain on fair value adjustments on investment properties, income taxes and unallocated income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

The revenue of others segment represents the management and service fee income received from fellow subsidiaries.

Segment assets include property, plant and equipment, inventories, loans and receivables and operating cash and mainly exclude available-for-sale financial assets, interest in a joint venture and deferred tax assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. Corporate liabilities include provision for income tax, deferred tax liabilities and corporate borrowings.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Continuing operations										Discontinued operation					
	Property assembly business		Property development		Property leasing		Building management and other services		Others		Total		Urban infrastructure		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover																
External customers	-	-	2,466,099	199,071	457,225	386,888	13,921	14,548	-	-	2,937,245	600,507	-	9,878	2,937,245	610,385
Inter-segments	-	-	591,843	592,933	60,914	94,661	3,224	3,365	53,436	109,396	709,417	800,355	-	-	709,417	800,355
Reportable segment turnover	-	-	3,057,942	792,004	518,139	481,549	17,145	17,913	53,436	109,396	3,646,662	1,400,862	-	9,878	3,646,662	1,410,740
Reportable segment profit/(loss)	-	-	901,295	(89,371)	339,886	298,929	4,599	8,979	15,382	14,768	1,261,162	233,305	-	(52,362)	1,261,162	180,943
Bank interest income	-	-	7,412	2,875	1,051	50	1	1	4,074	792	12,538	3,718	-	495	12,538	4,213
Reversal of vacant land tax	-	-	-	8,861	-	-	-	-	-	-	-	8,861	-	-	-	8,861
Depreciation	-	-	(340)	(1,028)	(3,816)	(5,063)	(6)	(6)	(1,065)	(1,036)	(5,227)	(7,133)	-	(280)	(5,227)	(7,413)
Amortisation of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(405)	-	(405)
Amortisation of properties held for development	-	-	(709)	(1,311)	-	-	-	-	-	-	(709)	(1,311)	-	-	(709)	(1,311)
Provision for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,106)	-	(18,106)
Provision for impairment on the Deferred and contingent consideration (note 7)	-	-	-	-	-	-	-	-	(40,879)	-	(40,879)	-	-	(91)	(40,879)	(91)
Provision for impairment loss of trade receivables	-	-	-	(16,788)	-	-	-	(40)	-	-	-	(16,828)	-	(21,677)	-	(38,505)
Reportable segment assets	-	-	2,360,798	3,849,861	16,905,739	16,662,036	15,088	10,854	692,902	258,032	19,974,527	20,780,783	-	-	19,974,527	20,780,783
Additions to non-current segment assets during the year	-	-	35,995	1,733	145,978	1,942,636	-	-	1,017	1,671	182,990	1,946,040	-	297	182,990	1,946,337
Reportable segment liabilities	-	-	(679,045)	(1,568,567)	(204,768)	(138,333)	(9,171)	(7,714)	(43,792)	(22,047)	(936,776)	(1,736,661)	-	-	(936,776)	(1,736,661)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Reportable segment turnover – continuing operations	3,646,662	1,400,862
Reportable segment turnover – discontinued operation	–	9,878
Elimination of inter-segment turnover	(709,417)	(800,355)
	<hr/>	<hr/>
Turnover	<u>2,937,245</u>	<u>610,385</u>
Reportable segment profits – continuing operations	1,261,162	233,305
Reportable segment losses – discontinued operation	–	(52,362)
Net gain on fair value adjustments on investment properties	638,801	1,276,502
Unallocated income and expenses	(46,586)	(49,818)
Finance costs	(52,266)	(51,335)
Share of results of a joint venture	(51)	(7)
	<hr/>	<hr/>
Profit before income tax	<u>1,801,060</u>	<u>1,356,285</u>
Reportable segment assets	19,974,527	20,780,783
Interest in a joint venture	29,211	29,158
Available-for-sale financial assets	10	10
Deferred tax assets	–	12,993
	<hr/>	<hr/>
Group assets	<u>20,003,748</u>	<u>20,822,944</u>
Reportable segment liabilities	936,776	1,736,661
Borrowings	2,221,931	3,955,820
Provision for income tax	111,372	30,651
Deferred tax liabilities	70,942	62,820
	<hr/>	<hr/>
Group liabilities	<u>3,341,021</u>	<u>5,785,952</u>

The Group's turnover from external customers and its non-current assets (other than available-for-sale financial assets) are divided into the following geographical areas:

	Turnover from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Principal markets				
Continuing operations				
– Hong Kong (domicile)	2,857,189	401,436	15,932,340	16,697,791
– People's Republic of China ("PRC")	80,056	199,071	80,773	45,900
	<u>2,937,245</u>	<u>600,507</u>	<u>16,013,113</u>	<u>16,743,691</u>
Discontinued operation				
– PRC	–	9,878	–	–
	<u>2,937,245</u>	<u>610,385</u>	<u>16,013,113</u>	<u>16,743,691</u>

The geographical location of customers is based on the location at which the goods/services were delivered/rendered. The geographical location of non-current assets is based on the physical location of the assets.

For the year ended 31 December 2014, the Group did not depend on any single customer under each of the segment. For the year ended 31 December 2013, there were 2 customers from the Group's property leasing segment, each of whom contributed 10% or more of the Group's revenue. Revenue derived from these two customers during 2013 amounted to approximately HK\$94,600,000 and HK\$84,700,000 individually.

4. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Continuing operations		
Interest charges on:		
Bank loans		
– wholly repayable within five years	52,852	66,400
– not wholly repayable within five years	7,422	8,080
Other borrowings – wholly repayable within five years	<u>1,528</u>	–
Total borrowing costs	61,802	74,480
Less: Interest capitalised in investment properties and properties under development	<u>(9,536)</u>	<u>(23,145)</u>
	<u>52,266</u>	<u>51,335</u>

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed scheduled repayment dates set out in the loan agreements. For the years ended 31 December 2014 and 2013, the interest on bank loans which contain a repayment on demand clause amounted to HK\$60,274,000 and HK\$73,938,000 respectively.

5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Continuing operations		Discontinued operation	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amortisation of intangible assets*	–	–	–	405
Amortisation of properties held for development	709	1,311	–	–
Auditor's remuneration	3,757	3,228	–	113
Bad debts written off*	70	92	–	–
Cost of inventories recognised as expenses	–	–	–	6,765
Cost of properties under development recognised as expenses	1,553,153	127,969	–	–
Deposit for property acquisition written off*	20	–	–	–
Depreciation of property, plant and equipment	5,227	7,133	–	280
Employee benefit expenses (including Directors' remuneration and defined contribution cost)				
– share option expenses	5,989	19,079	–	–
– other employee benefit expenses	159,038	142,640	–	9,128
	165,027	161,719	–	9,128
Loss on disposal of property, plant and equipment*	–	16	–	–
Operating lease charges in respect of office premises	1,910	3,534	–	796
Provision for impairment loss of trade receivables*	–	16,828	–	21,677
Provision for impairment on the Deferred and contingent consideration (note 7)*	40,879	–	–	91
Provision for obsolete inventories*	–	–	–	18,106
Property, plant and equipment written off	309	341	–	–
Reversal of provision for vacant land tax	–	(8,861)	–	–
Provision for impairment of intangible assets*	–	–	–	1,301
Gross rental income from investment properties	(457,225)	(386,888)	–	–
Less: Outgoings	23,596	8,066	–	–
	(433,629)	(378,822)	–	–

* included in other operating expenses

6. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax						
Tax for the year (<i>note (a)</i>)	129,123	37,050	-	-	129,123	37,050
Under-provision in prior years	328	2,038	-	-	328	2,038
	<u>129,451</u>	<u>39,088</u>	<u>-</u>	<u>-</u>	<u>129,451</u>	<u>39,088</u>
PRC income tax						
- Tax for the year (<i>note (b)</i>)	6,619	17,280	-	537	6,619	17,817
Deferred tax charge/(credit)	20,373	(7,532)	-	-	20,373	(7,532)
	<u>156,443</u>	<u>48,836</u>	<u>-</u>	<u>537</u>	<u>156,443</u>	<u>49,373</u>

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.
- (b) For the year ended 31 December 2014, all of the Group's PRC subsidiaries are subject to PRC Enterprise Income Tax ("EIT") rate of 25% (2013: 25%).

7. DISCONTINUED OPERATION

In the previous financial year, on 15 October 2013, Rightful Task Limited (the "Vendor"), a subsidiary of the Company, Ko Bee Limited (the "Guarantor") and Rally Elite Limited (the "Purchaser"), which was ultimately controlled by Madam Foo Kam Chu, Grace, the Chairman of the Company, entered into a sale and purchase agreement (the "Agreement"). Pursuant to the Agreement, Rightful Task agreed to sell and Rally Elite agreed to acquire the entire issued share capital of Oriental Classic Group Limited ("Oriental Classic") at the aggregate consideration of HK\$122,768,000 (the "Disposal of Oriental Classic"). Oriental Classic and its subsidiaries (the "Oriental Classic Group") engaged in urban infrastructure development business in the PRC. The consideration was satisfied by (i) cash of HK\$60,600,000; and (ii) the balance of the consideration of HK\$62,168,000 (the "Deferred and contingent consideration") shall be payable by the Purchaser within a period of three years after completion of the Disposal of Oriental Classic up to the amounts of the trade receivables actually collected and received by the Oriental Classic Group. The Disposal of Oriental Classic was completed on 22 October 2013, details of which were set out in the Company's announcement dated 15 October 2013.

At 31 December 2014, the Directors assessed that the remaining unsettled Deferred and contingent consideration, amounting to HK\$40,879,000 would not likely be collectible as it had been outstanding for over 12 months. Accordingly, all of this balance has been fully impaired in the current year.

As the Oriental Classic Group represented a separate component of the Group's business, the operations and cash flows of which could be clearly distinguished from the rest of the Group and which represented a separate major line of business, the Group presented in its financial statements the operations of the Disposal Group as discontinued operation in accordance with HKFRS 5. The results and cash flows included in the consolidated financial statements are as follows:

	Period from 1 January 2013 to 22 October 2013 <i>HK\$'000</i>
Revenue/Turnover	9,878
Cost of sales	(6,765)
Other income	1,438
Other operating expenses	(1,798)
Administrative expenses	(15,332)
Provision for obsolete inventories	(18,106)
Provision for impairment of trade receivables	<u>(21,677)</u>
Loss before income tax	(52,362)
Income tax expense	<u>(537)</u>
Loss for the period from discontinued operation	(52,899)
Gain on Disposal of Oriental Classic	<u>31,266</u>
	<u><u>(21,633)</u></u>
Net cash generated from operating activities	25,651
Net cash generated from investing activities	<u>198</u>
Net cash inflows	<u><u>25,849</u></u>

8. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share for profit from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>1,625,160</u>	<u>1,340,112</u>
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	281,479,037	280,812,464
Effect of dilutive potential ordinary shares in respect of employee share options	<u>603,510</u>	<u>3,013,192</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>282,082,547</u></u>	<u><u>283,825,656</u></u>

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to owners of the Company	1,625,160	1,340,112
<i>Add back:</i> Loss for the period from discontinued operation	<u>–</u>	<u>13,006</u>
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share from continuing operations computation	<u><u>1,625,160</u></u>	<u><u>1,353,118</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

The basic and diluted loss per share from discontinued operation attributable to the owners of the Company is calculated based on the following data:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss for the period from discontinued operation	–	(21,633)
<i>Less:</i> Loss for the period from discontinued operation attributable to non-controlling interests	<u>–</u>	<u>8,627</u>
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share from discontinued operation computation	<u><u>–</u></u>	<u><u>(13,006)</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

9. TRADE AND OTHER RECEIVABLES

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$11,149,000 (2013: approximately HK\$7,457,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the aging analysis of trade receivables was set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 30 days	5,833	4,309
31 – 90 days	4,430	1,800
91 – 180 days	445	185
Over 180 days	<u>441</u>	<u>1,163</u>
Total trade receivables	11,149	7,457
Other receivables, utility deposits and prepayment, net (including the Deferred and contingent consideration (as explained in note 7))	<u>73,911</u>	<u>104,996</u>
	<u><u>85,060</u></u>	<u><u>112,453</u></u>

10. TRADE AND OTHER PAYABLES

As at the reporting date, trade payables included in trade and other payables were approximately HK\$10,829,000 (2013: approximately HK\$10,669,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the aging analysis of trade payables was set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 30 days	4,842	6,048
31 – 90 days	847	886
Over 90 days	<u>5,140</u>	<u>3,735</u>
Total trade payables	10,829	10,669
Other payables	<u>504,839</u>	<u>448,101</u>
	<u>515,668</u>	<u>458,770</u>

11. DEPOSIT RECEIVED IN ADVANCE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Deposit received in advance associated with pre-sale of properties under development situated at:		
– Hong Kong	407,273	1,243,003
– PRC	<u>13,835</u>	<u>34,888</u>
	<u>421,108</u>	<u>1,277,891</u>

12. BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bank loans – secured	2,197,920	3,955,820
Other loan	24,011	–
	<u>2,221,931</u>	<u>3,955,820</u>
Carrying amount repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	188,300	1,621,898
More than one year, but not exceeding two years	705,711	291,550
More than two years, but not exceeding five years	1,145,020	1,825,672
More than five years	182,900	216,700
	<u>2,221,931</u>	<u>3,955,820</u>
Carrying amount of bank loans due for repayment after one year which contain a repayment on demand clause (shown under current liabilities)		
	<u>2,009,620</u>	<u>2,333,922</u>

Bank loans are secured by certain investment properties, property, plant and equipment and properties under development of the Group with a total carrying value of approximately HK\$12,782,748,000.

13. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 13 January 2015, the Group entered into a provisional agreement for sale and purchase with an independent third party for the acquisition of a property site located at 105-113 Ta Chuen Ping Street, Kwai Chung at a total consideration of approximately HK\$452,500,000. The acquisition is expected to be completed on 8 May 2015.

OPERATIONS REVIEW AND PROSPECTS

Management Discussion and Analysis

Overview

In 2014, the U.S. economy maintained its recovery and growth in Mainland China gradually stabilised, thus resulting in a healthy global economy. However, as the U.S. tapered off its Quantitative Easing monetary policy, this led to expectations of an interest rate hike in the U.S. and caused market volatility. Nevertheless, the current market still largely operates in an environment with low interest rates favouring further economic recovery in the local residential property market.

Although certain data indicate signs of weakening purchasing power in Mainland China which indirectly affected retail sales and the rental market in Hong Kong, the Group's rental performance remain sound, as its main commercial properties are located in prime areas of Hong Kong. The Group is therefore confident for the prospect of its commercial property business and was able to record positive growth in total revenue from property leasing.

Located on 1-29 Tang Lung Street, Causeway Bay, Soundwill Plaza II – Midtown officially opened for business in December 2014. It has become the newest landmark for food & beverage and leisure in the area. The marketing campaigns organized during the year have provided a diversified experience in drinking and dining out, attracting more customer traffic and driving up sales of our tenants. Together with the synergies generated with the Group's Soundwill Plaza I, Soundwill Plaza II has provided a solid foundation for the Group's investment properties portfolio and has further increased the weight of the Group's recurring income.

As for the Hong Kong residential property market, small-sized residential units were highly sought after on the back of a sustained increase in personal disposable income, a reasonable housing-affordability rate and a strong demand for housing. This in turn drove up the total property transaction volume. However, the Group has remained prudent with the local property market amidst rising construction costs, continuous policy measures relating to property sales, cautious mortgage approval by banks together with expectations of an imminent rate hike.

The delivery of Park Haven, the Group's major residential development project, was completed in the fourth quarter of 2014 and revenue was accordingly booked. In addition, the Group jointly developed Jones Hive, a residential project located on 8 Jones Road, Tai Hang, with Henderson Land Development Company Limited. Presales of the project commenced in early 2015. The project is expected to be delivered in the second half of 2017. The delivery will help increase the contribution of property development to the Group's revenue.

With its acute market sense, the Group will seize every opportunity to redevelop projects based on their respective advantages in order to stay current with the market and to maximize the efficiency in the use of limited land resources.

Property Portfolio

During the year, the Group actively acquired old properties in various areas on Hong Kong Island. At the same time, it sought to acquire superior land at opportune times and continued to step up its investment in projects with high appreciation potential in order to widen the scope and enhance the quality of the Group's property portfolio. Moreover, the Group is committed to revitalize the environment of the areas that the Group's properties locate in, raise building quality and offer support facilities to benefit both new and existing owners.

In order to fully capitalize on business opportunities in the Hong Kong market, the Group focused on operations in multiple areas with potential investment value. The Group actively participated in urban redevelopment and other high-quality projects and will continue to selectively acquire parcels of land through various channels to expand its market share.

The Group will also search for parcels of land with high potential outside of Hong Kong Island and acquire such lands to replenish its land reserves at a reasonable cost. The Group will prudently assess its investment property portfolio and retain projects with high appreciation potential for the Group's property development in order to increase earnings.

105-113 Ta Chuen Ping Street, Kwai Chung

The project is located on 105-113 Ta Chuen Ping Street, Kwai Chung with gross floor area of approximately 190,000 square feet.

14-18 Mosque Street, Mid-levels West

The project is located on 14-18 Mosque Street, Mid-levels West with gross floor area of approximately 44,000 square feet.

57 Kin Wah Street and 66 Fort Street, North Point

The project is located on 57 Kin Wah Street and 66 Fort Street, North Point with total gross floor area of approximately 30,000 square feet.

12-24 Lun Fat Street, Wan Chai

The Group successfully sold the project located on 12-24 Lun Fat Street, Wan Chai to Wkinv HK Holdings Ltd. in March 2014 for HK\$860 million. The transaction provided strong cash flow for the Group.

Property Assembly Business

The Group has been endeavouring to capture business opportunities in the local market through property assembly and the acquisition of old buildings. It seeks to acquire land reserves with high appreciation potential at a reasonable cost and actively retain projects with strong potential for its own development purposes. This strategy allows the Group to enrich earnings and expand its development potential as well as to maximize the efficiency in the use of land resources.

The property assembly business has set a solid foundation for the Group's property development and earnings growth over the next few years.

Property Leasing

For the year ended 31 December 2014, this business segment recognised revenue of HK\$457,225,000, representing 15% of the Group's revenue for the year.

While the Group capitalized on geographical advantages and sustained local demand, the Group continued to put efforts in enhancing property quality and optimization of tenant mix in order to more closely match changes in consumer preferences. The above factors, combined with strategic marketing campaigns, allowed the tenants of the Group's properties to achieve better sales growth compared to the market despite a slowdown in retail sales. During the year, the Group's commercial properties continued to see steadily increased rental rate for lease renewal while occupancy rates still remained at high level.

Soundwill Plaza I

Soundwill Plaza I is located on 38 Russell Street, in the heart of Causeway Bay. Buoyed by the market's enthusiastic demand for high-quality local shop spaces, the occupancy rate of Soundwill Plaza I remained high and rental revenue totalled approximately HK\$342,214,000. Most of the leases expired in 2014 were renewed and the renewal rental rate continued to increase. The Group believes continuous improvement is the key to maintain the competitiveness of the office building.

Midtown

Soundwill Plaza II – Midtown is a 31-storey building located on 1-29 Tang Lung Street, the heart of Causeway Bay. The building is just adjacent to Russell Street. It possesses panoramic view of the Victoria Harbour and sights of the busy, metropolitan Causeway Bay. The project officially opened in December 2014 and has become the most eye-catching new landmark for food & beverage and leisure. With its outstanding location and top-notch positioning, prestigious restaurants have been enticed to set up base at the establishment. Soundwill Plaza II – Midtown is expected to effectively seize opportunities arising from ever-growing spending in the area.

10 Knutsford Terrace, Tsim Sha Tsui, Kowloon

The property is currently a 23-storey integrated commercial project located in the core tourist and retail district in Tsim Sha Tsui with only three minutes' walk to the Tsim Sha Tsui MTR station. The Group values the unlimited development potential and future capital appreciation of properties in core districts, and optimize and expand its investment property portfolio in Hong Kong when opportunities arise. Soundwill Plaza I and Soundwill Plaza II – Midtown, which are the Group's flagship properties, together with 10 Knutsford Terrace, Tsim Sha Tsui are all located in the core tourist and retail district, which is expected to solidify the Group's revenue from property leasing.

Property development

For the year ended 31 December 2014, this business segment recognised revenue of approximately HK\$2,466,099,000, representing 84% of the Group's revenue for the year.

Small to medium-sized residential and industrial projects in Hong Kong are in strong demand. The Group adequately captured opportunities and developed selected land reserves with high potential into boutique residential units and superior industrial projects. In light of the prime locations and excellent design of the projects, the Group has recorded outstanding sales performance for its projects and has successfully built an excellent brand. The Group will continue to seek opportunities to expand its land reserves and advance its property development business with prudence. Moreover, the Group will launch new projects at opportune times as planned in order to bring higher returns to shareholders.

Residential projects

Jones Hive

The Group jointly developed Jones Hive, a residential project located on 8 Jones Road, Tai Hang with Henderson Land Development Company Limited. The project is expected to be delivered in the second half of 2017 to provide 119 units with the size from 333 square feet to 558 square feet.

COHO

The Group's residential development project located at 18-21 School Street, Tai Hang, comprises a total of 46 units with two units per floor, including 44 standard units and 2 special units with flat roof together with 24-hour clubhouse.

Park Haven

Park Haven, the Group's major residential development project is located on 38 Haven Street, a luxurious residential area in Lee Garden, Causeway Bay. The project provides approximately 190 residential units with the size from 510 to 1,154 square feet.

A total of 174 units of the project have been sold, recording total revenue of approximately HK\$2.38 billion in which the sales has achieved the Group's target and made an impressive record. The units sold were completed and delivered in the forth quarter of 2014 and corresponding revenue was booked.

WarrenWoods

WarrenWoods, the Group's landmark luxurious residential project is located on 23 Warren Street, Tai Hang. The project provides 163 residential units of diversified designs. Beneath the prestigious Jardine's Lookout coupled with an excellent planning and design concept, the development was honoured with the "Best Developer – Project Planning" award in the finance magazine *Capital*. A total of 162 units was sold and delivered by the end of 2012.

Commercial project

The Sharp

Situated on 11-13 Sharp Street East/1-1A Yiu Wah Street, in Causeway Bay, the project is expected to be developed into an integrated commercial property project that combines retail and office spaces. The project provides 29 floors for sale which were sold out within a day on 3 January 2013. The highest price was HK\$48,100 per square foot (based on gross area). To capitalize on the unlimited appreciation potential street-level commercial shop space in Causeway Bay, the Group decided to retain shops on the ground floor to second floor for leasing. The rental rates will be determined with reference to the top-grade street-level commercial shops in Causeway Bay area. The project is expected to be completed in the second half of 2015.

Industrial project

301-305 Castle Peak Road, Kwai Chung

The project is located on 301-305 Castle Peak Road, Kwai Chung with the site area of approximately 13,300 square feet.

Property management

For the year ended 31 December 2014, the business segment recognised revenue of approximately HK\$13,921,000, representing 1% of the Group's revenue for the year.

The Group's subsidiaries for property management and maintenance are engaged in the provision of management services, quality customer service, and maintenance services to the properties and facilities of large-scale commercial buildings, as well as small and medium-sized estates. These subsidiaries constantly launch innovative services to raise the overall service standard. With the backing of its extensive experience and enthusiasm, the team follows through with the desire of customers in order to provide high-quality service to owners and tenants. During the year, the property management team upheld quality of the indoor environments and reduced waste by employing energy-efficient measures to reduce its carbon footprint.

“The Concierge” – French-style hotel management services

The Group pioneered and introduced “The Concierge” – French-style Hotel Management Services to the property management of Park Haven, the luxury residential project. The Group provides a wide range of value-added services, French-style management including concierge services, dining and catering services, household maintenance services, laundry and dry cleaning arrangement services as well as home and car cleaning referral services. Through the premium and comprehensive personal services, we aim to create an environment for tenants to enjoy a high quality lifestyle.

Customer services

The Group’s services are extended to the offer of a comprehensive range of after-sales services subsequent to the delivery of units to owners. The Group set up a professional team which is dedicated to the detailed examinations of each of the newly completed units for providing considerate services during the delivery of units. To boost the confidence of homeowners, the newly occupied new properties are entitled to the warranty of repair and maintenance services for the first two years.

To ensure that each newly completed unit is in perfect condition, thorough quality inspections are conducted repeatedly to ensure the highest standard of quality upon delivery to the owners. The handover team will also provide comprehensive and attentive services during the handover period to ensure smooth completion of required procedures. The handover team not only ensures the quality of newly completed units, but also enables the Group to more directly and effectively collect the opinions of homeowners. The Group’s property management subsidiaries are committed to providing high-quality customer services and further enhancing service standards through continuous innovation.

Soundwill Club

Founded by the Group, Soundwill Club provides a platform for individuals with exceptional tastes including prospective property buyers, retail tenants and visitors to the Group’s properties to exchange intelligence in lifestyle. Soundwill Club covers a variety of high-quality living information promoted by Soundwill Group, and enhances the interaction of art and taste with members. Soundwill Club also provides customers with superb services and activities, which are further elaborations of Soundwill Group’s unwavering commitment to excellence and eminence.

Business in Mainland China

For the year ended 31 December 2014, the business in Mainland China recorded revenue of approximately HK\$80,056,000.

Property development

In late 2013, the Group adjusted and reallocated resources of its property projects in Guangdong Province to reinforce its resources to regions with favourable market conditions. In the short term, economic growth in Mainland China is expected to decelerate slightly but the government is expected to implement policy measures to simulate the real estate market. This will allow steady growth of the property market in Mainland China and hence facilitate the long-term development of the market.

Long Feng Chun Xiao, a residential development project located in Doumen District, Zhuhai, in which the Group has 51% interest, has been sold out. In addition, the first phase of The Lakeview Bay, an integrated project wholly owned by the Group and featuring villa and high-rise residences located in Gaoyao City, Zhaoqing, has been completed. More than half of these villa residences have been sold and delivered to the owners. The high-rise residences in Phase 2 are under construction and was expected to be rolled out in the market in the fourth quarter of 2014.

Construction of the first phase of Yu Ming Du (Shan Shui Xiang Ri), a project located in Doumen District, Zhuhai, is basically completed. The project will be launched once the pre-sales permit is issued. Construction of Zhen Hui (Yi Jing Yuan), a high-rise residential project located in Kaiping, Jiangmen, is expected to commence by the end of 2015.

Corporate Citizen

The Group remains firmly to pursue excellence in all its business operations and social responsibilities. The pursuit of perfection has become an integral and guiding element of its corporate culture.

With the opening of Soundwill Plaza II – Midtown, the Group took the opportunity to support arts and promote local culture. The Group has actively organized various art exhibitions and activities over the years, and its efforts have been well recognized by the public. For instance, the Group set up the first-ever Lamborghini Pop-Up Museum and organized various international art exhibitions and activities in Midtown POP, the art exhibition space located on 17/F, Soundwill Plaza II – Midtown.

During the year, Midtown POP successfully became a platform for the development of local art and culture. World-class visual and performing arts were introduced to the public. Through various forms of art and cultural activities, the Group aims to provide visitors with the option to enjoy art in the busy metropolis.

Soundwill Volunteer Team

To play an active role in the community, in 2012, the Group established Soundwill Volunteer Team, a social cause to encourage its employees and their families to give helping hands to people who are in need. The Group regularly sponsors and participates in the Little Sprouts Storytelling Activity of the “Story Family Fun” Neighbourhood Development Plan, hosted by the Hong Kong Outlying Islands Women’s Association, to share stories with children living in Tung Chung District. Soundwill Volunteer Team teaches positive attitudes among school children and spread the spirits of love and care through story-telling.

Caring Company

With the concerted efforts of the Group’s management and employees in making positive contribution to the community, the Group was honoured as a Caring Company by The Hong Kong Council of Social Service. The Group, in conjunction with its member companies and property projects, received a number of commendations, in recognition of its dedication and efforts to fulfil social responsibilities and assume social corporate responsibilities over the years.

The Group is committed to making positive contributions to the community. During the year, the Group sponsored the Concert of Tung Chung Youth Marching Band 2014 (東涌青少年步操樂團演奏會 2014) held by the Hong Kong Outlying Islands Women’s Association. It provided the youth with marching band training and performance opportunities, thereby proactively supported cultural exchanges in society. Furthermore, the Group cares about the needs of impoverished pupils and people living in the mountainous area in Mainland China. During the year, the Group made a donation to The Caring Hearts Photographic Society to sponsor the “2014 Gansu Water Supply Project”. The donations collected from the project were used to build water supply projects in Gansu to thoroughly address the problem of safe water in the area.

Run for Fun

The Group participated in the Run for Fun city run organized by Vanke Group in December 2014. The Group donated to WWF Hong Kong, one of the organizations of the run to support natural resource conservation and education of WWF Hong Kong. This enables the Group to fulfil its social responsibilities as well as to care for the employees’ physical and mental health.

Community Chest – Hong Kong and Kowloon Walk

To assist families and children in need in Hong Kong, the Group sponsored the 2014/2015 Hong Kong and Kowloon Walk organized by Community Chest. The donations will be delivered to social welfare organizations providing family and children welfare services on counselling and support service to families in need.

FINANCIAL REVIEW

Results of Operations

During the year, the Group's turnover recorded of approximately HK\$2,937,245,000 (2013: HK\$610,385,000), representing a significant increase as compared with last year. The increase in turnover was mainly due to the increase in income recorded from the property development projects in Hong Kong.

Selling expenses mainly represents the sales commission paid for a luxury residential development "Park Haven" which is located in Causeway Bay during the year. Decrease in administrative expenses were mainly due to the cost saving exercise on various teams such as marketing team, construction team and project development team in order to cope with the market condition. Decrease in finance cost was mainly due to repayment of borrowings.

Furthermore, the increase in fair value of investment properties was mainly due to the revaluation gain of the Group's investment properties located in Hong Kong.

Profit Attributable to Owners of the Company

During the year, the Group has achieved a profit attributable to owners of the Company of approximately HK\$1,625,160,000 (2013: HK\$1,340,112,000), an increase of 21% as compared with last year. This rise was mainly due to the increase in income recorded from the property development projects despite decrease in the net gain on fair value adjustments on investment properties during the year.

Net Assets

The net assets of the Group as at 31 December 2014 amounted to HK\$16,662,727,000 (2013: HK\$15,036,992,000). Net asset value per share as at 31 December 2014 is HK\$58.7 (2013: HK\$53.5).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, the Group's cash and bank balances amounted to HK\$1,070,403,000 (2013: HK\$310,629,000). Total borrowings of the Group amounted to HK\$2,221,931,000 (2013: HK\$3,955,820,000) as at 31 December 2014.

As at 31 December 2014, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 13% (2013: 26%). As at 31 December 2014, the net assets of the Group amounted to HK\$16,662,727,000 (2013: HK\$15,036,992,000).

The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK\$ and RMB respectively. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

During the year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

Acquisition and development of properties are financed partly by internal resources and partly by bank borrowings. Repayment of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates.

PLEDGE OF ASSETS

As at 31 December 2014, certain investment properties, property, plant and equipment and properties under development of the Group with a total carrying value of approximately HK\$12,782,748,000 (2013: HK\$16,503,877,000) were pledged to secure banking facilities for the Group.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2014 and the accounting principles and practices adopted by the Group have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited and is in line with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CORPORATE GOVERNANCE

The Group places great significance on corporate integrity, business ethics and good governance. Coupled with the strong support of an excellent management team, we have established a highly effective Board of Directors to actively participate in investor relations activities.

The Group is committed to the practice of sound corporate governance. Efforts are made to maintain interactive communication with stakeholders including investors, analysts and credit rating agencies and the media. We provide and disclose information relating to the Group's corporate strategy and latest business development. In order to ensure the highest level of corporate transparency, the Company will distribute relevant corporate information to shareholders and other stakeholders in a timely manner. In addition, the Group will further strengthen its connection with global investors through frequent involvement in large-scale investors meetings and briefings.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Group believes that effective communication with shareholders is a crucial key of improving investor relations and will ultimately assist the investment community in understanding the Company's business performance and strategies. Through regular, comprehensive, and interactive communication, we strive to enhance communication with investors through various communication channels. These include in-person meetings, telephone conferences, overseas roadshows, and project-site visits organized for the investor community. The Group seeks to establish a trustful and fruitful relationship with its shareholders and investors. The 2013 Annual General Meeting was held in May 2014. The Group organized briefings and media interviews for results announcements and proactively stayed in touch with the press through press releases, announcements, and other promotional materials. The Group is committed to enhancing corporate transparency and providing timely

disclosure of information on the Group's developments to help shareholders and investors make informed investment decisions. The Group is devoted to enhancing corporate governance practices on business growth and strives to attain a balance between corporate governance requirements and performance. The Board of Directors believes that sound corporate governance is essential to the success of the Group and will enhance shareholders' value.

PROSPECTS

In the year ahead, the global economy is expected to move forward at a moderate pace with little inflation amid an improved economic outlook in the US and a relatively slower pace of growth in other major economies. The major uncertainties ahead are the great volatility in the global financial markets arising from the changing expectations on possible interest rate hikes in the US and competitive devaluations of currency by various economies. Nevertheless, loose monetary policies adopted by major economies such as the Eurozone, Japan and China will cushion the downside risks for the world economy.

Shanghai-Hong Kong Stock Connect was implemented to promote mainland investors to invest in the Hong Kong market. The Group expects the Chinese economy to recover steadily and lead healthy economic, financial and social development in various regions.

Although retail sales slowed in Hong Kong, demand for consumer goods remained intact amidst low interest rates and a low unemployment rate, which will continue to drive the economic development of Hong Kong. For Hong Kong property market, the Hong Kong Monetary Authority issued guidance to banks regarding property mortgage loan business on 27 February 2015, introducing a new round of regulatory measures for property mortgage to further tighten the maximum loan-to-value ratio for self-use residential properties priced below HK\$7 million. Furthermore, the debt-service-to-income ratio for non-self-use properties, including residential, industrial and commercial properties, was lowered from 50% to 40%. As a result of the government's implementation of the above mentioned property policy measures, the primary market property sales are expected to slow down, and the investment expenditure was soft and sentiment turned cautious.

Looking into 2015, the Group will remain committed to strike a balance between revenue from property sales and revenue from investment properties as well as to seek investment opportunities to enrich shareholders' return. The Group will continue to selectively acquire land plots through various channels and prudently develop its businesses. With the premise of maintaining project quality, the Group will minimize the impact of the continuing upward local construction costs and increase the profit margin of development projects. With the strong market analytical power of the Group's senior management, the Group will bolster its competitive advantages to solidify the Group's position in the property industry.

EMPLOYEES REMUNERATION

The Group had 354 and 96 employees in Hong Kong and Mainland China respectively as at 31 December 2014. Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. Total salaries and wages incurred in 2014, if excluding share option expenses of approximately HK\$5,989,000 (2013: HK\$19,079,000) were approximately HK\$159,038,000 (2013: HK\$151,768,000).

DIVIDEND

The Board recommends a payment of a final dividend of HK\$0.20 (2013: HK\$0.20) per share and a special dividend of HK\$0.10 (2013: Nil) per share for the year ended 31 December 2014, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 20 May 2015. The final and special dividend will be payable on or about 30 June 2015 to shareholders whose names appear on the register of members on 12 June 2015.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 18 May 2015 to Wednesday, 20 May 2015 (both dates inclusive). In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. Friday, 15 May 2015.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from Thursday, 11 June 2015 to Friday, 12 June 2015 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final and special dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. Wednesday, 10 June 2015.

CONTINGENT LIABILITIES

- (a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the financial statements of the Group amounted to HK\$19,577,000 (2013: HK\$7,558,000).
- (b) Since the Group commenced legal proceedings HCA 1902/2009 (“the Action”) against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the Action has been stayed pending the outcome of the proceedings in HCMP 1760/2009 which concerns the same subject matter. The Group filed a re-amended statement of claim in December 2012 in HCMP 1760/2009 and the pleadings of the case have been closed in or about April 2013. The case has come to the stage of discovery of documents and thereafter it will proceed to the mutual exchange of factual witnesses’ statement. The Group’s legal advisor is in the course of locating all documents for discovery purpose. No date for case management conference has been fixed by the Court yet.

As the Group’s legal advisor is unable to anticipate the likely outcome, provision for amount due from a joint venture and provision for legal costs have been made which amounted to HK\$15,565,000 and HK\$3,598,000 (2013: HK\$15,565,000 and HK\$3,598,000) respectively.

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

The Company is empowered by the applicable laws of the Bermuda and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. During the year, the Company had repurchased a total of 368,000 shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$4,561,223. All of the repurchased shares were subsequently cancelled. The repurchases were effected by the Directors for the enhancement of shareholders’ value. Details of the repurchases are as follows:

Month of the repurchases	Total number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration <i>HK\$</i>
August 2014	48,000	13.48	13.34	645,719
September 2014	34,000	13.34	13.08	451,314
November 2014	4,000	12.18	12.18	48,875
December 2014	282,000	12.18	11.96	3,415,315

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended 31 December 2014 except that:

(1) Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive Directors, the management and various department heads. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

(2) Code Provision A.4.1

Code Provision A.4.1 provides that non-executive Directors should be appointed for a specific term.

The non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted a code of conduct regarding Directors’ securities dealing transactions on term no less than the required standard set out in the Model Code (Appendix 10 of the Listing Rules).

The Company has made specific enquiry and all Directors have complied with the required standard set out in the Model Code during the year under review.

APPRECIATION

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance in the past financial year.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 18 March 2015

As at the date of this announcement, the Board of Directors of the Company comprises
(i) Executive Directors: Foo Kam Chu, Grace, Chan Wai Ling and Kong Siu Man, Kenny; and
(ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Ng Chi Keung.