華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

2014

Annual Report 年報

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This annual report, for which the directors (the "Directors") of Chinese Strategic Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P.* *(Chairman)*
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

AUTHORISED REPRESENTATIVES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Chan Shui Sheung Ivy

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

NOMINATION COMMITTEE

Mr. Wang Chin Mong *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

JOINT COMPANY SECRETARIES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Cheung Ching Man

COMPLIANCE OFFICER

Mr. Lam Kwok Hing Wilfred *J.P.*

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313-316, 3/F
Shui On Centre
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Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
China Construction Bank Corporation
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.

STOCK CODE

8089

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the result of Chinese Strategic Holdings Limited (the "**Company**") and its subsidiaries (together referred to as "**our Group**") for the year ended 31 December 2014 (the "**Year**").

Under the volatile macroeconomic environment, the Year was challenging. To achieve the business objective of maximizing the investment return by adopting a proactive but prudent approach in our investments, our Group aimed to maintain growth in our core businesses, as well as exploring other investment opportunities.

Our existing investments mainly comprise property investments in Hong Kong and Mainland China, securities trading and loan financing.

Our Group's investment properties enjoyed a high occupancy rate during the Year. Rental income from the investment properties continued to provide our Group with stable recurrent income. Securities trading also brought steady return to our Group during the Year, as a result of our approach of minimizing risk as well as maximizing return. As for loan financing segment, interest income also contributed to the working capital of our Group during the Year.

Our Group has been looking for further investment opportunities to enable our Group to enrich its investment portfolio and further enhance investment return. During the Year, the Company deployed a timely and appropriate investment approach to cope with the changing market sentiment and policies of the government. The Board has also actively explored other property investment opportunities beyond the local and Mainland China market. Our Group has been in active negotiation in relation to investment opportunities in the Tinian Island, one of the three principal islands of the Commonwealth of Northern Mariana Islands (an inhabited island territories of the United States) during the Year.

Riding on the growth of the global tourism and hospitality industry, our Group has been actively exploring opportunities in the hospitality businesses in the Tinian Island. Our Group has from time to time been in negotiations with potential parties to explore suitable opportunities in order to enhance the investment portfolio of our Group.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, business partners and enterprises for their support.

Lam Kwok Hing Wilfred
Chairman and Executive Director

12 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in businesses of properties investments, securities trading and loan financing. The turnover of the Group for the year ended 31 December 2014 increased by 60% to HK$150,483,000 as compared with the preceding financial year.

Properties Investments

Through renting out of the properties, the Group recorded a rental income of approximately HK$2,757,000 for the year ended 31 December 2014 (2013: approximately HK$2,835,000). A gain arising from fair value changes of investment properties of approximately HK$7,400,000 was recorded (2013: approximately HK$2,700,000).

As at 31 December 2014, the Group held properties in Hong Kong and in Mainland China for investment purposes with total fair value amounted to approximately HK$226,538,000 (2013: approximately HK$219,964,000) on the basis of valuations carried out on 31 December 2014 by independent firms of professional valuers not connected with the Group.

Securities Trading

Segmental turnover of the securities trading business for the year ended 31 December 2014 was HK$142,054,000 (2013: approximately HK$83,340,000). The Group recorded a gain arising from the fair value changes of investments held for trading of approximately HK$3,313,000 (2013: loss approximately HK$13,423,000) and a loss on disposals of investments held for trading of approximately HK$19,012,000 (2013: gain approximately HK$20,284,000); a gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK$101,110,000 (2013: approximately HK$10,020,000).

As at 31 December 2014, the Group had investments held for trading amounted to approximately HK$231,742,000 (2013: approximately HK$170,831,000) and convertible instruments designated at financial assets at fair value through profit or loss amounted to approximately HK$150,626,000 (2013: approximately HK$66,612,000).

Loan Financing

The loan financing business generated an interest income of approximately HK$5,672,000 to the Group during the year ended 31 December 2014 (2013: approximately HK$7,903,000) representing a decrease of approximately 28%. No impairment loss on loan receivables was recognised during the year ended 31 December 2014 (2013: approximately HK$11,238,000). In contrast, reversal of impairment loss on loan receivables amounted to HK$25,658,000 was recorded (2013: approximately HK$2,015,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2014, the turnover of the Group was HK$150,483,000 (2013: approximately HK$94,078,000), representing an increase of 60%. The increase in turnover was mainly due to the increase in volume in securities trading.

Administrative expenses for the year ended 31 December 2014 was approximately HK$85,975,000 (2013: approximately HK$46,333,000), representing an increase of 86% as compared with the preceding financial year. The increase in expenses was mainly due to increase in office rental and staff costs as well as consultancy and professional fees, most of which were incurred in relation to the potential investments in Tinian in the Commonwealth of the Northern Mariana Islands ("CNMI") and an application for a casino resort developer license in Saipan, CNMI.

The profit attributable to the owners of the Company for the year ended 31 December 2014 aggregated at approximately HK$55,542,000 (2013: loss approximately HK$22,415,000). Profit for the year was mainly attributable to gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss. The basic earnings per share for the year ended 31 December 2014 was approximately HK8.22 cents (2013: basic loss per share approximately HK3.32 cents).

OUTLOOK

New mortgage tightening measures effective in February 2015 dampened slightly the booming home market. The property market of Hong Kong might remain quiet. The Board will from time to time review the portfolio of investment properties in a prudent manner for the benefit of the Company and its shareholders.

Uncertainty of the likely pace of interest rate increases in the United States and decreases in the Mainland China, the stock market is expected to continue to be volatile. The Group will remain cautious in its investment strategy.

The loan financing business remains difficult, coupled with a relatively weak customer base, it is anticipated that its revenue will come under pressure.

A challenging year ahead amid global economic uncertainty, the Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in exploring the feasibility of expansion into other business segments.

INTEREST IN A JOINT VENTURE

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("Changsha Seg") performed steadily during the year ended 31 December 2014. The Group's share of result of Changsha Seg amounted to approximately HK$16,185,000 for the year ended 31 December 2014 (2013: approximately HK$6,528,000). The net assets of Changsha Seg was approximately HK$267,137,000 (2013: approximately HK$238,615,000).

Changsha Seg is principally engaged in rental of office premises and properties investment. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

FUND RAISING ACTIVITIES

On 18 June 2014, the Company entered into an option placing agreement with Fortune (HK) Securities Limited as the placing agent (the "Placing Agent") pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six independent placees to subscribe for up to 130 options (the "Options") at a premium of HK$10,000 per Option. On 27 June 2014, completion took place in which the Options have been fully placed to the placees. The gross proceeds and net proceeds from the placing were approximately HK$1,300,000 and HK$918,000 respectively, resulting in the net placing price of approximately HK$7,000 for each Option. The net proceeds from the placing of HK$918,000 were used as operating expenditure of the Group. Upon exercise of each of the Options, the optionholders are entitled to subscribe for HK$1,000,000 in the principal amount of the convertible bonds (the "Convertible Bonds") at the subscription price of HK$1,000,000. Assuming exercise of all of the 130 Options, the optionholders are entitled to subscribe for, in aggregate, the Convertible Bonds in the principal amount of HK$130,000,000 at the aggregate subscription price of HK$130,000,000. The Convertible Bonds are convertible into 130,000,000 new shares of the Company at the conversion price of HK$1 per conversion share. Details are set out in the announcements of the Company dated 18 June 2014 and 28 June 2014 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flows and borrowings.

The Group had cash and cash equivalent of approximately HK$17,303,000 (31 December 2013: approximately HK$38,050,000) and had interest-bearing borrowings of approximately HK$109,367,000 (31 December 2013: HK$29,731,000).

As at 31 December 2014, the gearing ratio (measured as total liabilities to total assets) was approximately 20% (31 December 2013: approximately 11%).

CAPITAL STRUCTURE

As at 31 December 2014 and 31 December 2013, the Company's issued share capital was HK$675,814, divided into 675,814,000 shares of HK$0.001 each.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group did not have any material capital commitment (31 December 2013: nil).

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liability (31 December 2013: nil).

CHARGES ON ASSETS

As at 31 December 2014, investment properties, certain investments held for trading and convertible instruments designated as financial assets at fair value through profit or loss with an aggregate carrying value of HK$245,533,000 (31 December 2013: HK$77,700,000) have been pledged to banks and other financial institution to secure the credit facilities granted to the Group.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group did not have any other significant investment during the year ended 31 December 2014 (2013: nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("HK$"). The majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("USD") or Renminbi ("RMB"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had slightly appreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

MATERIAL ACQUISITIONS AND DISPOSALS

On 9 January 2014, Gain Millennia Limited, a wholly-owned subsidiary of the Company, ("Gain Millennia") entered into a leasing agreement (the "Leasing Agreement") with Hong Kong Entertainment (Overseas) Investments Limited ("HKE"), Mega Stars Overseas Limited and Tinian Dynasty Investments Limited, pursuant to which HKE has conditionally agreed to, as head lessee of various pieces of land in Tinian, CNMI (the "Land"), grant the leasing of the Land, together with the Tinian Dynasty Hotel & Casino on the Land (the "Dynasty Hotel"), to Gain Millennia during the term of the land lease ending on 18 May 2051 (the "Land Lease"), and Gain Millennia has agreed to take up the Land Lease from HKE. Details are set out in the announcements of the Company dated 11 February 2014, 27 February 2014, 3 April 2014 and 15 April 2014.

On 6 February 2014, Sina Winner Investment Limited, a wholly-owned subsidiary of the Company, agreed to subscribe for the convertible bonds of The Hong Kong Building and Loan Agency Limited ("HKBLA"), a company listed on the Stock Exchange (stock code: 145) in the principal amount of HK$43,200,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$0.135 per conversion share, a total of 320,000,000 conversion shares will be allotted and issued. Details are set out in the announcement of the Company dated 7 February 2014. The subscription was completed on 17 February 2014.

On 9 April 2014, Gain Millennia entered into an framework agreement (as revised and supplemented by the first supplemental framework agreement dated 5 June 2014 and the second supplemental framework agreement dated 27 June 2014) with Well Target Limited ("Well Target"), pursuant to which Well Target intended to procure a new company to issue the convertible notes and Gain Millennia intended to subscribe the convertible notes. Assuming the conversion rights attaching to the convertible notes are exercised in full, representing approximately 60% of the enlarged issued share capital of the issuer. Details are set out in the announcements of the Company dated 9 April 2014, 15 April 2014, 22 May 2014, 5 June 2014 and 28 June 2014.

MATERIAL ACQUISITIONS AND DISPOSALS *(Continued)*

On 21 April 2014, Marianas Stars Entertainment, Inc., a non wholly-owned subsidiary of the Company ("MSE"), submitted an application for a casino resort developer license in CNMI. On 1 August 2014, MSE received a letter from the Commonwealth Lottery Commission stated that it decided not to consider the application any further. Details are set out in the announcements of the Company dated 22 April 2014, 8 May 2014, 10 May 2014, 16 May 2014, 19 June 2014, 20 June 2014, 30 June 2014, 4 July 2014, 25 July 2014, 28 July 2014 and 1 August 2014.

On 23 May 2014, Magic Perfection Global Limited, a wholly-owned subsidiary of the Company, as the assignee, executed (i) an assignment of shares of Tinian Realty International Co. ("TRI"), pursuant to which the assignor assigned the entire issued share capital of TRI at the consideration of US$50,000; and (ii) a deed of loan assignment pursuant to which the assignee acquired all the assignor's interest in the indebtedness of TRI at the consideration of US$100,000. Prior to the assignment, TRI entered into a ground land lease with an independent third party on 19 May 2014 agreed to hire and lease a land situated in Tinian, CNMI. Details are set out in the announcement of the Company dated 23 May 2014.

On 17 July 2014, Gain Millennia (the "Preferred Agent") entered into an agency agreement with HKE and Well Target as the guarantor, pursuant to which HKE agreed to appoint the Preferred Agent to, and the Preferred Agent agreed to its being appointed to, inter alia, render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, CNMI ("Agency Agreement"). The appointment commenced on 17 July 2014. However, on 9 December 2014, the Preferred Agent entered into a deed of settlement with HKE and Well Target, pursuant to which the parties agreed with the refund of the rental prepayment of HK$151,638,010 (the "Rental Prepayment") by HKE to the Preferred Agent upon the termination of the Agency Agreement. Details are set out in the announcements of the Company dated 18 July 2014, 8 October 2014, 17 December 2014, 8 January 2015 and 3 March 2015.

On 17 July 2014, Chinese Travel (Holdings) Limited, a wholly-owned subsidiary of the Company, and Mr. Chan Kin Chung (the "Vendor") entered into a sale and purchase agreement (as revised and supplemented by the supplemental agreement dated 8 October 2014 and the second supplemental agreement dated 5 January 2015) pursuant to which Chinese Travel (Holdings) Limited agreed to acquire and the Vendor agreed to sell 1,520,000 shares, representing 38% of the entire issued share capital of Oriental Tours & Travel Co. Limited at a consideration of HK$380,000. Details are set out in the announcements of the Company dated 18 July 2014, 8 October 2014 and 5 January 2015. As at the date hereof, the transaction is not yet completed.

MATERIAL ACQUISITIONS AND DISPOSALS *(Continued)*

On 26 August 2014, Gain Millennia entered into an framework agreement with HKE, Well Target and Fortune (HK) Consulting Limited ("Fortune"), pursuant to which HKE shall sub-lease, sub-let or sub-license the Dynasty Hotel to one or more investors ("Prospective Investors") identified by Fortune throughout the terms of the leasehold of the lands on which the Dynasty Hotel situates at the aggregate amount of HK$1,000,000,000. It is intended that the Prospective Investors shall either acquire the Rental Prepayment paid by Gain Millennia to HKE pursuant to the Agency Agreement, or grant HKE a loan in such same amount. Upon completion of which, it is also intended that Gain Millennia shall procure travelers for visiting and staying at the Dynasty Hotel in return Gain Millennia be entitled 1% each of the gross amount incurred by the travelers. As at the date hereof, no formal agreement has been entered into. Details are set out in the announcements of the Company dated 27 August 2014 and 8 October 2014.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 68 employees (31 December 2013: 65 employees) in Hong Kong and Mainland China as at 31 December 2014. During the year ended 31 December 2014, the Group incurred staff costs (including Directors' emoluments) of approximately HK$30,804,000 (2013: approximately HK$21,899,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary and discretionary bonus with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATIONS

With reference to the litigations of the Group, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has obtained judgments in five (5) of its claims against the borrowers concerned, and has successfully enforced part payment of the judgment debt against some of such borrowers, and Fameway will rely on legal advice on possible further enforcement. Fameway is proceeding with its claim against another borrower, and will rely on legal advice on further conduct thereof.

Meanwhile, as previously reported, the Company and King Perfection Limited have obtained judgment in a separate matter but one of the judgment debtors has been wound up. The Company and King Perfection Limited will rely on legal advice for further conduct.

In relation to the litigation matter in which the Company was sued as the 2nd defendant, the plaintiff has amended its statement of claim on 13 May 2014. As advised by counsel, the Company has taken out the relevant applications, inter alia, to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court.

The Company will announce or disclose the conduct of litigation matters and/or outcome thereof wherever appropriate or necessary.

ADVANCE TO AN ENTITY

On 11 April 2014 and 21 May 2014 the Group made payment in the amount of HK$8,000,000 and HK$27,000,000 respectively to Well Target as further deposit of the convertible notes. Details are set out in the announcements of the Company dated 22 May 2014, 5 June 2014, 28 June 2014 and 18 July 2014. Subsequently, such amount was applied in entirety to settle and discharge the Rental Prepayment upon the execution of the Agency Agreement with HKE. On 9 December 2014, the Rental Prepayment was scheduled to be repaid by HKE to Gain Millennia under a deed of settlement. Details of the Agency Agreement and the deed of settlement are disclosed in the above section headed "Material Acquisitions and Disposals". As at 31 December 2014, the amount due from HKE was approximately HK$151,638,000.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing Wilfred, *J.P.* ("Mr. Lam"), aged 55, was appointed as a non-executive Director on 2 September 2013 and has been re-designated as chairman of the Board and an executive Director with effect from 1 January 2014. He has also been appointed as members of the nomination committee and the remuneration committee of the Company, the authorized representative for accepting service of process and notices in Hong Kong on behalf of the Company as required pursuant to Rule 5.24 of the GEM Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and compliance officer of the Company, all with effect from 8 January 2014. Mr. Lam has also been appointed as the joint company secretary of the Company, with effect from 1 February 2014 and is currently the director of certain subsidiaries of the Company.

Mr. Lam is now a director (previously, group vice president) of 3D-GOLD Jewellery (HK) Limited and an executive director and group vice president of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Stock Exchange. Mr. Lam is also a non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange.

Mr. Lam was initially appointed as an independent non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on the GEM of the Stock Exchange, on 13 May 2009 and he resigned from his final positions of vice chairman and non-executive director on 11 July 2014. He was also an independent non-executive director of PME Group Limited (stock code: 379), a company listed on the Main Board of the Stock Exchange from 14 April 2011 to 31 December 2014. He was an independent non-executive director of Value Convergence Holdings Limited (stock code: 821), a company listed on the Main Board of the Stock Exchange, from 4 January 2010 to 30 May 2013.

Mr. Lam is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices. He also holds a professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

EXECUTIVE DIRECTORS *(Continued)*

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 50, was appointed as an executive Director on 25 August 2008. Ms. Chan graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 21 years of experience in investment and is currently the director of certain subsidiaries of the Company. Ms. Chan previously served as an executive director of PME Group Limited (stock code: 379) which is a company listed on the Main Board of the Stock Exchange from 2 May 2007 to 11 June 2014. She is a director of Channel Enterprises (Int'l) Limited.

Mr. Mok Tsan San ("Mr. Mok"), aged 43, was appointed as an executive Director on 12 August 2014. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Great China and overseas. He is also currently an executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of the Stock Exchange; and a non-executive director of Newtree Group Holdings Limited (stock code: 1323), a company listed on the Main Board of the Stock Exchange. With over 12 years of solid experiences in fund raising and investment syndication in a number of ventures, he has helped, funded, and/or personally invested in and advised in a number of other Silicon Valley companies in Hong Kong, including but not limited to Facebook Inc. and Proteus Digital Health. Mr. Mok began his career in Babtie Asia Limited (now Jacobs Engineering Group Inc.), an international civil engineering consulting firm as an engineer. He holds a Bachelor of Science degree in Civil Engineering from Ohio State University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 43, was appointed as an independent non-executive Director on 4 July 2008. She was also appointed as the chairmen of the audit and remuneration committees of the Company and a member of nomination committee of the Company since 4 July 2008. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 20 years. She is an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange, since 1 November 2012 and was an independent non-executive director of Tai Shing International (Holdings) Limited (stock code: 8103), a company listed on the GEM of the Stock Exchange, from 3 April 2014 to 30 December 2014.

Mr. Wang Chin Mong ("Mr. Wang"), aged 43, was appointed as an independent non-executive Director and members of audit and remuneration committees of the Company on 10 August 2009. He has also been appointed as the chairman of the nomination committee of the Company since 14 May 2012. Mr. Wang is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 18 years of experience in the fields of auditing, accounting and finance.

Mr. Chow Fu Kit Edward ("Mr. Chow"), aged 47, was appointed as an independent non-executive Director on 14 May 2012. He has also been appointed as members of the audit committee, nomination committee and remuneration committee of the Company since 14 May 2012. Mr. Chow has over 20 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master's degree of Engineering in Mechanical Engineering from The University of Hong Kong and a Master's degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. Mr. Chow was an independent non-executive director of PME Group Limited (stock code: 379), a company listed on the Main Board of the Stock Exchange, during the period from 17 August 2007 to 31 January 2012.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in businesses of property investments, securities trading and loan financing.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2014 by business segment is set out in Note 8 to the accompanying financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 41 and 42 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 173 to 175 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 20 and 42 to the accompanying financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2014 are set out in Note 17 to the accompanying financial statements.

DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2014 (2013: nil).

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 33 to the accompanying financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2014 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 45 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2014 (2013: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2002 which expired on 21 November 2012 (the "Expired Share Option Scheme"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Details of the share options outstanding during the year ended 31 December 2014 were:

		Number of share options							
Name of category	Date of grant of share options	Outstanding as at 01.01.2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2014	Validity period of share options	Exercise price HK$
Employees	3/4/2007	1,000,000	–	–	–	–	1,000,000	3/4/2007 – 2/4/2017	7.35
Consultants	3/4/2007	1,200,000	–	–	–	–	1,200,000	3/4/2007 – 2/4/2017	7.35
Total		2,200,000	–	–	–	–	2,200,000		

A summary of the Expired Share Option Scheme of the Company is set out in Note 34 to the accompanying financial statements.

SHARE OPTION SCHEME *(Continued)*

Pursuant to an ordinary resolution passed and approved at the special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. The general scheme limit of the Company is 67,581,400 shares representing 10% of the issued share capital by the time of passing the relevant resolution. No share option was granted during the year ended 31 December 2014.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 36 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the year ended 31 December 2014 attributable to the Group's major customers is as follows:

	Percentage of revenue
The largest customer	34.6%
Five largest customers combined	79.3%

The principal business of the Group is property investments, securities trading and loan financing. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

During the year ended 31 December 2014, none of the Directors, their associates, or any substantial shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 37 to the accompanying financial statements.

Regarding the transactions entered into between the Group and HKE as disclosed on pages 10 and 11 of the Management Discussion and Analysis section of this annual report, a supplemental agency agreement was signed on 8 October 2014 between HKE, GML and Well Target. Marianas Stars Entertainment, Inc., a non wholly-owned subsidiary of the Company, is owned as to (i) 75% by Famous Treasure Limited, a wholly-owned subsidiary of the Company; and (ii) 25% by Mega Stars Overseas Limited ("MSOL"), a company indirectly interested in 99.99% of the entire issued share capital of HKE. As such, HKE, being the associate of MSOL, is a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules. Accordingly, the supplemental agency agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

The Company confirms that particulars of the connected transaction have been properly disclosed in compliance with Chapter 20 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 43 to the accompanying financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2014 and up to the date of this annual report are:

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P.*	(re-designated as executive Director and appointed as chairman of the Board on 1 January 2014)
Ms. Chan Shui Sheung Ivy	
Mr. Mok Tsan San	(appointed on 12 August 2014)
Ms. Yeung Sau Han Agnes	(resigned on 8 January 2014)

DIRECTORS *(Continued)*

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

In accordance with Bye-law no. 86(2), Mr. Mok Tsan San will hold office until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with Bye-law no. 87(1), Ms. Chan Shui Sheung Ivy and Mr. Wang Chin Mong will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

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

BOARD OF DIRECTORS' BIOGRAPHIES

Biographical details of the Directors as at the date of this annual report are set out from pages 14 to 16 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 13 and 14 to the accompanying financial statements, respectively.

SERVICE CONTRACT AND APPOINTMENT LETTERS OF DIRECTORS

Mr. Lam Kwok Hing Wilfred has entered into an appointment letter with the Company effective from 2 September 2013 as a non-executive Director and was terminated on 31 December 2013. He has entered into another appointment letter with the Company effective from 1 January 2014 regarding the re-designation from non-executive Director to executive Director and the appointment as chairman of the Board.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Mr. Mok Tsan San has entered into an appointment letter with the Company effective from 12 August 2014.

Ms. Yeung Sau Han Agnes has entered into a service contract with the Company for an initial fixed term of two years commenced from 8 May 2008, which had been terminated upon her resignation with effect from 8 January 2014.

Ms. Yuen Wai Man has entered into an appointment letter with the Company for a fixed term from 1 January 2015 to 31 December 2015.

Mr. Wang Chin Mong has entered into an appointment letter with the Company for a fixed term from 1 January 2015 to 31 December 2015.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company for a fixed term from 1 January 2015 to 31 December 2015.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business pursuant to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2014 or at any time during the year ended 31 December 2014.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2014.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	–	124,000,000 *(note 1)*	18.35%
Well Support Limited	Beneficial owner	67,081,466 *(note 2)*	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 *(note 2)*	–	9.93%
PME Group Limited	Interest of corporation controlled	46,094,000 *(note 3)*	–	6.82%
Sunbright Asia Limited	Beneficial owner	40,300,000 *(note 3)*	–	5.96%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position in shares and underlying shares of the Company *(Continued)*

notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of each warrant to subscribe for one subscription share of the Company a maximum of 124,000,000 subscription shares (with an aggregate nominal value of HK$124,000 of the subscription shares) upon full exercise of the subscription rights attaching to the warrants.

2. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

3. In accordance with the corporate substantial shareholder notices filed by PME Group Limited ("PME") and Sunbright Asia Limited ("Sunbright"), these 46,094,000 shares comprised 40,300,000 shares held by Sunbright and 5,794,000 shares held by Betterment Enterprises Limited ("Betterment"). Sunbright is wholly-owned by CR Investment Group Limited ("CR Investment"). Betterment is owned as to 99.49% by Richcom Group Limited ("Richcom"). Richcom is in turn wholly-owned by CR Investment. CR Investment is in turn wholly-owned by PME. Accordingly, each of Richcom, CR Investment and PME is deemed to be interested in the shares held by Betterment; and each of CR Investment and PME is deemed to be interested in the shares held by Sunbright.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 31 December 2014 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from pages 27 to 38 of this annual report.

COMPLIANCE ADVISER

CLC International Limited ("CLC") being the compliance adviser of the Company as at 31 December 2014, confirmed that CLC together with its directors, employees or associates (as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules")) were not interested in any share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2014 pursuant to Rule 6A.32 of the GEM Listing Rules.

REPORT OF DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2014 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 December 2011, 2012 and 2013 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

On 18 December 2014, SHINEWING resigned as auditor of the Company and ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI") was appointed as the new auditor of the Company to fill the casual vacancy following the resignation of SHINEWING and hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2014 were audited by ZHONGLEI.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 12 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "CG Code") for the year ended 31 December 2014 except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam Kwok Hing Wilfred has been appointed as the Chairman of the Board with effect from 1 January 2014. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chief executive of the Company, if identified.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of six Directors, three of whom are executive Directors, namely Mr. Lam Kwok Hing Wilfred, Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.

Biographical details of each Director are set out in the section headed "Board of Directors" from pages 14 to 16 of this annual report.

The Company is committed to having a diversity of the Board to complement the Company's corporate strategy. The Company considers that having a Board with diverse culture would assure Directors that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

BOARD OF DIRECTORS *(Continued)*

The Board includes a balanced composition of executive Directors and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2014, the Board consisted of three independent non-executive Directors, two of them have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All independent non-executive Directors are appointed for specific terms until 31 December 2015. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

BOARD OF DIRECTORS *(Continued)*

During the year ended 31 December 2014, 30 Board meetings, 1 annual general meeting and 2 special general meetings were held. Details of the attendance of the Directors are as follows:

Directors	Attendance of Board meetings	Attendance of General meetings
Executive Directors		
Mr. Lam Kwok Hing Wilfred (re-designated as executive Director and appointed as chairman of the Board on 1 January 2014)	30/30	3/3
Ms. Chan Shui Sheung Ivy	29/30	3/3
Mr. Mok Tsan San (appointed on 12 August 2014)	9/11	N/A
Ms. Yeung Sau Han Agnes (resigned on 8 January 2014)	N/A	N/A
Independent Non-executive Directors		
Ms. Yuen Wai Man	26/30	3/3
Mr. Wang Chin Mong	28/30	3/3
Mr. Chow Fu Kit Edward	28/30	3/3

A meeting of the independent non-executive directors and the chairman of the Company without the presence of executive Directors was held during the year ended 31 December 2014, pursuant to code provision A.2.7 of the CG Code.

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and summary of the committee meetings held in advance of each Board meeting (if any).

The joint company secretaries of the Company (the "Joint Company Secretaries") are responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Joint Company Secretaries with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, on-going participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2014 to the Company.

The individual training record of each Director received for the year ended 31 December 2014 is summarised as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Lam Kwok Hing Wilfred (re-designated as executive Director and appointed as chairman of the Board on 1 January 2014)	A
Ms. Chan Shui Sheung Ivy	A
Mr. Mok Tsan San (appointed on 12 August 2014)	A
Ms. Yeung Sau Han Agnes (resigned on 8 January 2014)	B
Independent Non-executive Directors	
Ms. Yuen Wai Man	A
Mr. Wang Chin Mong	A
Mr. Chow Fu Kit Edward	A, B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently consists of four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Mr. Lam Kwok Hing Wilfred. Ms. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2014, the remuneration committee of the Company held three meetings to make recommendations to the Board on the review of Directors' salary, grant of housing allowance and remuneration proposal for the appointment of an executive Director.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	3/3
Mr. Lam Kwok Hing Wilfred (appointed on 8 January 2014)	2/2
Mr. Wang Chin Mong	3/3
Mr. Chow Fu Kit Edward	3/3
Ms. Yeung Sau Han Agnes (resigned on 8 January 2014)	N/A

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Mr. Lam Kwok Hing Wilfred. Mr. Wang Chin Mong is the chairman of this committee.

The nomination committee is responsible for reviewing the structure, size, composition and diversity of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

For the year ended 31 December 2014, the nomination committee of the Company held three meetings to make recommendations to the Board on the replacement of members of nomination committee and remuneration committee, authorized representatives and compliance officer following the resignation of an executive Director, and the re-election of Directors at the general meeting; to review of the structure, size, composition and diversity of the Board and senior staff of the Company; to assess the independence of the independent non-executive Director and to make nomination proposal for the appointment of executive Director.

Details of the attendance of the Company's nomination committee meetings are as follows:

Members	**Attendance**
Mr. Wang Chin Mong *(Chairman)*	3/3
Mr. Lam Kwok Hing Wilfred (appointed on 8 January 2014)	2/2
Ms. Yuen Wai Man	3/3
Mr. Chow Fu Kit Edward	3/3
Ms. Yeung Sau Han Agnes (resigned on 8 January 2014)	N/A

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors; namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system and internal control procedures of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of which facilitating the above-mentioned duties.

For the year ended 31 December 2014, the audit committee of the Company held six meetings to review and supervise the financial reporting process and internal control review, and to make recommendation to the Board on the change of auditor. They had, in conjunction with the external auditor of the Company, reviewed the quarterly, interim and annual results of the Group and recommended to the Board for their consideration and approval. The audit committee of the Company was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee of the Company also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Company's audit committee meetings are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	6/6
Mr. Wang Chin Mong	6/6
Mr. Chow Fu Kit Edward	6/6

The Group's unaudited quarterly and interim results and audited annual results of the year 2014 were reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the remuneration paid/payable to the Company's external auditor, ZHONGLEI (HK) CPA Company Limited, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	720
– Non-audit services	–
	720

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, ZHONGLEI (HK) CPA Company Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report from pages 39 to 172 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Board, having made appropriate enquiries, considers that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going-concern basis in preparing the financial statements.

JOINT COMPANY SECRETARIES

On 1 February 2014, Mr. Li Chak Hung ("Mr. Li") tendered his resignation and Mr. Lam Kwok Hing Wilfred ("Mr. Lam"), being the chairman of the Board and an executive Director, was appointed to replace Mr. Li as the Joint Company Secretary with effect from 1 February 2014 to assist Ms. Cheung Ching Man ("Ms. Cheung"), the other Joint Company Secretary delegated by an external service provider, upon the Stock Exchange's new waiver to the Company from strict compliance with Rules 5.14 and 11.07(2) of the GEM Listing Rules in relation to Ms. Cheung's eligibility to act as the Joint Company Secretary, for the remaining period from 1 February 2014 to 31 January 2016.

For the year ended 31 December 2014, Mr. Lam acted as the external service provider's primary contact person at the Company. Ms. Cheung has taken no less than 15 hours of relevant professional training for the year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the joint company secretaries of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the joint company secretaries of the Company.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinesestrategic.com for the attention of the Joint Company Secretaries.

SHAREHOLDERS' RIGHTS *(Continued)*

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Joint Company Secretaries.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2014.

INTERNAL CONTROLS

The Board is responsible for the effectiveness of the Group's internal control system.

The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

The Board has reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management during the year ended 31 December 2014. Such review considered the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programme and budget. The Board monitors an effective and adequate internal control system in place to safeguard the shareholders' investment and the Group's assets.

The Board has also appointed an independent compliance adviser on an on-going basis for consultation in compliance with the GEM Listing Rules and the compliance adviser has been consulted for all transactions and potential transactions of the Company.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 12 March 2015

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF
CHINESE STRATEGIC HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chinese Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 172, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)

Lam Chik Tong
Practising Certificate Number: P05612

Suites 313-316
3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

12 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	7	**150,483**	94,078
Revenue	7	**8,430**	10,755
Cost of sales		**(256)**	(226)
Gross profit		**8,174**	10,529
Other income and gains	9	**2,335**	2,281
Administrative expenses		**(85,975)**	(46,333)
Changes in fair values of investment properties, net	19	**7,400**	2,700
Changes in fair values of investments held for trading		**3,313**	(13,423)
(Loss) gain on disposals of investments held for trading		**(19,012)**	20,284
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss	24	**101,110**	10,020
Changes in fair values of derivative financial assets/ liabilities	29	**(3,870)**	2,299
Gain arising from derecognition of derivative financial liabilities	29	**–**	4,567
Gain on disposal of available-for-sale financial assets		**1,892**	–
Impairment loss recognised in respect of available-for-sale financial assets	22	**–**	(110)
Impairment loss recognised in respect of loan and interest receivables	23	**–**	(11,238)
Impairment loss recognised in respect of other receivable	25	**(9,268)**	–
Reversal of impairment loss recognised in respect of loan and interest receivables	23	**25,658**	2,015
Gain (loss) on deemed disposal of partial interest in an associate	20	**36,862**	(8,453)
Share of profit of a joint venture	21	**16,185**	6,528
Operating profit (loss)		**84,804**	(18,334)
Finance costs	10	**(24,656)**	(1,309)
Profit (loss) before tax		**60,148**	(19,643)
Income tax expense	12	**(3,913)**	(1,561)
Profit (loss) for the year	11	**56,235**	(21,204)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(693)	3,709
Fair value gain on available-for-sale financial assets	22	6,850	8,093
Share of translation reserve of a joint venture	21	(783)	4,291
Other comprehensive income for the year, net of income tax		5,374	16,093
Total comprehensive income (expense) for the year		61,609	(5,111)
Profit (loss) for the year attributable to:			
Owners of the Company		55,542	(22,415)
Non-controlling interests		693	1,211
		56,235	(21,204)
Total comprehensive income (expense) attributable to:			
Owners of the Company		61,061	(7,117)
Non-controlling interests		548	2,006
		61,609	(5,111)
Earnings (loss) per share	16		
Basic (HK cents)		8.22 cents	(3.32) cents
Diluted (HK cents)		7.32 cents	(3.32) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	17	8,921	9,033
Prepaid lease payment – non-current portion	18	20,719	–
Investment properties	19	226,538	219,964
Interest in an associate	20	–	41,725
Interest in a joint venture	21	162,163	146,761
Club debentures		2,690	2,690
Available-for-sale financial assets	22	41,646	32,904
		462,677	453,077
CURRENT ASSETS			
Loan and interest receivables	23	9,316	48,459
Convertible instruments designated as financial assets at fair value through profit or loss	24	150,626	66,612
Prepayments, deposits and other receivables	25	190,289	105,853
Prepaid lease payment	18	388	–
Investments held for trading	26	231,742	170,831
Derivative financial assets	29	–	2,014
Bank balances and cash	27	17,303	38,050
		599,664	431,819
CURRENT LIABILITIES			
Accruals and other payables		51,761	22,509
Borrowings	28	109,367	29,731
Derivative financial liabilities	29	3,156	–
Tax liabilities		10,002	9,493
		174,286	61,733
NET CURRENT ASSETS		425,378	370,086
TOTAL ASSETS LESS CURRENT LIABILITIES		888,055	823,163

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Bond payable	30	10,000	10,000
Deferred tax liabilities	31	25,788	22,525
		35,788	32,525
NET ASSETS		852,267	790,638
CAPITAL AND RESERVES			
Share capital	33	676	676
Reserves		826,336	765,275
Equity attributable to owners of the Company		827,012	765,951
Non-controlling interests		25,255	24,687
TOTAL EQUITY		852,267	790,638

The consolidated financial statements on pages 41 to 172 were approved and authorised for issue by the Board of Directors on 12 March 2015 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	676	2,901,300	7,914	3,590	5,325	–	13,662	(2,160,749)	771,718	22,681	794,399
(Loss) profit for the year	–	–	–	–	–	–	–	(22,415)	(22,415)	1,211	(21,204)
Other comprehensive income for the year											
Items that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	2,914	–	2,914	795	3,709
Fair value gain on available-for-sale financial assets	–	–	–	–	8,093	–	–	–	8,093	–	8,093
Share of translation reserve of a joint venture	–	–	–	–	–	–	4,291	–	4,291	–	4,291
	–	–	–	–	8,093	–	7,205	–	15,298	795	16,093
Total comprehensive income (expense) for the year	–	–	–	–	8,093	–	7,205	(22,415)	(7,117)	2,006	(5,111)
Issue of warrants (Note 32)	–	–	–	–	–	1,350	–	–	1,350	–	1,350
At 31 December 2013	676	2,901,300	7,914	3,590	13,418	1,350	20,867	(2,183,164)	765,951	24,687	790,638
At 1 January 2014	676	2,901,300	7,914	3,590	13,418	1,350	20,867	(2,183,164)	765,951	24,687	790,638
Profit for the year	–	–	–	–	–	–	–	55,542	55,542	693	56,235
Other comprehensive (expense) income for the year											
Items that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(548)	–	(548)	(145)	(693)
Fair value gain on available-for-sale financial assets	–	–	–	–	6,850	–	–	–	6,850	–	6,850
Share of translation reserve of a joint venture	–	–	–	–	–	–	(783)	–	(783)	–	(783)
	–	–	–	–	6,850	–	(1,331)	–	5,519	(145)	5,374
Total comprehensive income (expense) for the year	–	–	–	–	6,850	–	(1,331)	55,542	61,061	548	61,609
Capital injection by non-controlling interest (Note 42)	–	–	–	–	–	–	–	–	–	20	20
At 31 December 2014	676	2,901,300	7,914	3,590	20,268	1,350	19,536	(2,127,622)	827,012	25,255	852,267

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**60,148**	(19,643)
Adjustments for:		
Finance costs	**24,656**	1,309
Interest income	**(54)**	(1,474)
Depreciation of plant and equipment	**2,649**	2,515
Amortisation of prepaid lease payment	**235**	–
Gain on settlement of loan and interest receivables	**(1,201)**	–
Gain on disposal of plant and equipment	**(240)**	–
Loss on written off of plant and equipment	**211**	–
Impairment loss recognised in respect of loan and interest receivables	**–**	11,238
Reversal of impairment loss recognised in respect of loan and interest receivables	**(25,658)**	(2,015)
Impairment loss on available-for-sale financial assets	**–**	110
Impairment loss recognised in respect of other receivable	**9,268**	–
Gain on disposal of available-for-sale financial assets	**(1,892)**	–
(Gain) loss on deemed disposal of partial interest in an associate	**(36,862)**	8,453
Share of profit of a joint venture	**(16,185)**	(6,528)
Changes in fair values of investment properties, net	**(7,400)**	(2,700)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss	**(101,110)**	(10,020)
Changes in fair values of derivative financial assets/liabilities	**3,870**	(2,299)
Gain arising from derecognition of derivative financial liabilities	**–**	(4,567)
Changes in fair values of investments held for trading	**(3,313)**	13,423
Operating cash flows before movements in working capital	**(92,878)**	(12,198)
Decrease in loan and interest receivables	**23,898**	74,255
(Increase) decrease in prepayments, deposits and other receivables	**(93,704)**	13,791
Decrease (increase) in investments held for trading	**67,389**	(33,805)
Increase in accruals and other payables	**9,080**	6,548
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(86,215)**	48,591

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of convertible instruments designated as financial assets at fair value through profit or loss		56,000	21,000
Interest received		54	1,474
Acquisition of derivative financial assets		–	(230)
Purchase of plant and equipment		(2,748)	(610)
Proceeds from disposal of plant and equipment		240	–
Acquisition of a subsidiary	*40*	(1,170)	(1,100)
Acquisition of available-for-sale financial assets		–	(2,000)
Deposits paid for acquisition of potential investments		–	(36,000)
Acquisition of convertible instruments designated as financial assets at fair value through profit or loss		(43,200)	(36,151)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		9,176	(53,617)
FINANCING ACTIVITIES			
Proceeds from issue of warrants	*32*	–	1,350
Proceeds from issue of option to subscribe convertible bonds		1,300	–
Capital injection from non-controlling interests		20	–
Borrowings raised		311,700	–
Repayment of borrowings		(232,064)	(1,257)
Interest paid		(24,656)	(702)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		56,300	(609)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,739)	(5,635)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		38,050	43,363
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE		(8)	322
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		17,303	38,050

1. GENERAL

Chinese Strategic Holdings Limited (the "Company") was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 42.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

In current year, the Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	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*) – Interpretation 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee

Except as described below, the application of the new and revised HKFRSs and HKASs 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 the consolidated financial statements.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

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

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

1 Effective for annual periods beginning on or after 1 July 2014, with limited exception. Early application is permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced 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" measurement category for certain simple debts instruments.

Key requirements of HKFRS9 are described below:

- 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. 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 fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

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

HKFRS 9 Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of financial liability designated as fair value through profit or loss was presented 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 new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost,
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or join venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segment, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

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

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

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

Annual Improvements to HKFRSs 2011-2013 Cycle (Continued)

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

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

Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 GEM of the Stock Exchange and by the disclosure requirements by the Hong Kong Companies Ordinance.

Basis of preparation

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 value at the end of each 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 for goods and services.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, 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 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 of subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisition 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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

- 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 (see accounting policy below); 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.

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 (if any) 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 (if any), 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 HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value 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 (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of 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 purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of 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 an indication that the unit may be impaired. 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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. 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 a joint venture exceeds the Group's 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 the 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.

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 or a joint venture. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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 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 apply 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.

When a group entity transacts with an associate or a joint venture of the Group, 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 interests in the associate or joint venture 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 rebates and other similar allowances.

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.

Dividend income from investments is recognised when the shareholder's right to receive payment has 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).

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

The Group as lessor

Rental income from operating leases 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 on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an 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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment

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

Depreciation is recognised so as to write-off the cost of items of plant and equipment 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.

An item of 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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. All the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the each 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 at 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributable to non-controlling interest as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Employee Benefits

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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 in which the liability is settled or the asset is realised, based on tax rate (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.

Current and deferred tax for the year

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables 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)*

Effective interest method

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 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 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 for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

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
- on initial recognition it is a part 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset 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 asset 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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Changes in fair values of investments held for trading", "Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss" and "Changes in fair values of derivative financial assets/liabilities" line items.

Convertible instruments acquired by the Group (including related embedded derivates) are designated as financial assets at FVTPL on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 loan and interest receivables, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL or loans and receivables.

Equity and debt securities held by the Group that are classified as available-for-sale 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 available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets

Financial assets, other than those at FVTPL, 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 investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loan and interest receivables and other 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (Continued)

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 (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable or other 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. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale 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 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.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt securities, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instrument

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

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL *(Continued)*

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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "Changes in fair values of derivative financial assets/liabilities" line item.

Other financial liabilities

Other financial liabilities including accruals and other payables, borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is 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 unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 and loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, 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.

For the share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the 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 accumulated losses.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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.

Where 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. When 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whatever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. CRITICAL ACCOUNTING JUDGMENTS 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 underlying 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties located in Hong Kong.

The Group recognised additional deferred taxes in respect of those investment properties situated in the People's Republic of China ("PRC") which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policies *(Continued)*

Classification of Changsha Seg Development Co. Limited ("Changsha Seg") as a joint venture

Changsha Seg is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Changsha Seg is classified as a joint venture of the Group. For details, please refer to Note 21 to the consolidated financial statements.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss on loan and interest receivables

Loan and interest receivables are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors make judgments on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

As at 31 December 2014, the carrying amount of loan and interest receivables were approximately HK$9,316,000 (31 December 2013: HK$48,459,000), net of accumulated impairment losses of HK$364,269,000 (31 December 2013: HK$393,750,000).

Fair value of convertible instruments designated as financial assets at FVTPL

The fair value of the convertible instruments involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the fair value. The carrying amount of the convertible instruments designated as financial assets at FVTPL as at 31 December 2014 was approximately HK$150,626,000 (31 December 2013: HK$66,612,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of deposits paid for acquisition of potential investments

Deposits paid for acquisition of potential investments are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors make judgments on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

As at 31 December 2014, the carrying amount of deposits paid for acquisition of potential investments is Nil (31 December 2013: HK$56,000,000) net of accumulated impairment losses of HK$20,000,000 (31 December 2013: HK$20,000,000).

Fair value of derivative financial instruments

As described in Note 29 to the consolidated financial statements, the Directors use their judgment in selecting an appropriate valuation technique which is commonly used by market participants for fair value measurement. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amount of derivative financial assets and liabilities measured at fair value at 31 December 2014 was Nil (31 December 2013: HK$2,014,000) and HK$3,156,000 (31 December 2013: Nil) respectively.

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 financial instruments. Notes 6 and 29 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2014 was approximately HK$226,538,000 (31 December 2013: HK$219,964,000).

Estimated impairment loss on interest in a joint venture

Determining whether the interest in a joint venture is impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the joint venture and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the Group's joint venture as at 31 December 2014 was approximately HK$162,163,000 (31 December 2013: HK$146,761,000). No impairment loss was recognised for the years ended 31 December 2014 and 2013.

5. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group at 31 December 2014 consists of net debt, (which includes borrowings and bond payable, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Group is not subject to any externally imposed capital requirements. The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Available-for-sale financial assets:		
– at cost	5,892	4,000
– at fair value	35,754	28,904
	41,646	32,904
FVTPL:		
– investments held for trading	231,742	170,831
– convertible instruments designated as financial assets at FVTPL	150,626	66,612
– derivative financial assets	–	2,014
	382,368	239,457
Loans and receivables:		
Loan and interest receivables	9,316	48,459
Deposits and other receivables	188,919	104,180
Bank balances and cash	17,303	38,050
	215,538	190,689
	639,552	463,050
Financial liabilities		
Financial liability at FVTPL:		
– derivative financial liability	3,156	–
Other financial liabilities measured at amortised cost:		
Accruals and other payables	51,761	22,509
Borrowings	109,367	29,731
Bond payable	10,000	10,000
	171,128	62,240
	174,284	62,240

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include loan and interest receivables, deposits and other receivables, bank balances and cash, financial assets at FVTPL (including investments held for trading and convertible instruments designated as financial assets at FVTPL), available-for-sale financial assets, derivative financial assets/liabilities, accruals and other payables, bond payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in United States dollars ("USD").

	Assets	
	2014	2013
	HK$'000	HK$'000
USD	**36,791**	33,028
RMB	–	1,115
Total	**36,791**	34,143

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have any policy to hedge its exposure to currency risk.

No sensitivity analysis was prepared for USD because HK$ is pegged to USD and no sensitivity analysis was prepared for RMB. The fluctuation and impact is considered immaterial.

(ii) Interest rate risk

The Group's income and operating cash flows would be affected by the changes of market interest rates. The Group's exposure to market risk for changes in interest rates mainly arises from borrowings. Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. At 31 December 2014, approximately 25% (2013: 100%) of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 28.

The Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and borrowings which are carried at variable interest rate.

Loan and interest receivables, bond payables and convertible instruments designated as financial assets at FVTPL at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK$375,000 (2013: HK$133,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate bank balances and bank borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investments in funds and convertible instruments designated as financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Stock Exchange and on fund investments quoted by the financial institutions.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities included in investments held for trading had been 10% (2013: 10%) higher/lower, the post-tax profit/loss for the year ended 31 December 2014 would increase/decrease by approximately HK$193,505 (2013: HK$14,264,000) as a result of the changes in financial assets at FVTPL.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis *(Continued)*

For unlisted investments in funds included in available-for-sale financial assets, if the prices of the respective equity instruments had been 10% (2013: 10%) higher/lower, the investment revaluation reserve as at 31 December 2014 would increase/decrease by approximately of HK$3,575,000 (31 December 2013: HK$2,890,000).

For convertible instruments designated as financial assets at FVTPL, if the prices of the respective convertible instruments had been 10% (2013: 10%) higher/lower, the post-tax profit/loss for the year ended 31 December 2014 would increase by approximately HK$2,372,000 (2013: HK$1,214,000) or decrease by approximately HK$1,144,000 (2013: HK$1,845,000) respectively, arising from the changes in fair value of convertible instruments designated as financial assets at FVTPL.

If the share price of the warrant issuer had been 10% (2013: 10%) higher/lower and all derivative components moved according to the historical correlation with the share price of the Company, the post-tax profit/loss for the year ended 31 December 2014 would decrease or increase by approximately Nil (2013: HK$474,000), arising from changes in fair value of the derivative financial assets.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2014, 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 a team responsible for determination of credit limits, 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 receivable 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.

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

In respect of the loan and interest receivables arising from the Group's loan financing business, 38% (2013: 19%) of the total gross loan and interest receivables as at 31 December 2014 was due from the Group's largest customer and 83% (2013: 47%) of the total gross loan and interest receivables as at 31 December 2014 was due from the Group's five largest customers for the Group's loan financing business.

The Directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of loan and interest receivables as at 31 December 2014 and 2013.

Liquidity risk

In the management of the 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 management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

At 31 December 2014

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities							
Accruals and other payables	N/A	51,761	–	–	–	51,761	51,761
Bond payable	6	600	600	1,800	10,000	13,000	10,000
Borrowings	5.8	115,725	–	–	–	115,725	109,367
		168,086	600	1,800	10,000	180,486	171,128

At 31 December 2013

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities							
Accruals and other payables	N/A	22,509	–	–	–	22,509	22,509
Bond payable	6	600	600	1,800	10,600	13,600	10,000
Borrowings	2.3	30,411	–	–	–	30,411	29,731
		53,520	600	1,800	10,600	66,520	62,240

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$109,367,000 (2013: HK$29,731,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the financial institutions will exercise their discretionary right to demand immediate repayment. The Directors believe that such borrowings will be repaid by monthly installments in the next 17 years (2013: 18 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$33,739,000 (2013: HK$36,263,000).

The amounts included above for variable interest rate instruments for non-derivation financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2014	31/12/2013		
1) Investments held for trading	Assets – HK$231,742,000	Assets – HK$170,831,000	Level 1	Quoted bid prices in an active market.
2) Convertible instruments designated as financial assets at FVTPL	Assets – HK$150,626,000	Assets – HK$66,612,000	Level 2	Discount rate and volatility levels determined using a Binominal option pricing model.
3) Unlisted investment in funds classified as available-for-sale financial assets	Assets – HK$35,754,000	Assets – HK$28,904,000	Level 2	Quoted bid prices from bank.
4) Derivative financial assets	–	Assets – HK$2,014,000	Level 2	Discount rate and volatility levels determined using a Binominal option pricing model.
5) Derivative financial liabilities	Liabilities – HK$3,156,000	–	Level 2	Discount rate and volatility levels determined using a Binominal option pricing model.

There were no transfers between levels of fair value hierarchy in the current and prior year.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

	Fair value hierarchy as at 31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at FVTPL				
– investments held for trading	**231,742**	**–**	**–**	**231,742**
– convertible instruments designated as financial assets at FVTPL	**–**	**150,626**	**–**	**150,626**
Available-for-sale financial assets				
– unlisted investment in funds	**–**	**35,754**	**–**	**35,754**
	231,742	**186,380**	**–**	**418,122**
Financial liability				
Financial liability at FVTPL				
– derivative financial liability	**–**	**3,156**	**–**	**3,156**

	Fair value hierarchy as at 31 December 2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
– investment held for trading	170,831	–	–	170,831
– convertible instruments designated as financial assets at FVTPL	–	66,612	–	66,612
– derivative financial assets	–	2,014	–	2,014
Available-for-sale financial assets				
– unlisted investment in funds	–	28,904	–	28,904
	170,831	97,530	–	268,361

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Convertible instruments designated at financial assets at FVTPL issued by a Hong Kong private company HK$'000
At 1 January 2013	6,966
Total losses in profit or loss	(6,966)
At 31 December 2013	–

The above total gains or losses for the year recognised in profit or loss are included in the statement of profit or loss and other comprehensive income.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER AND REVENUE

Turnover

Turnover represents the aggregate of rental income, net proceeds from the disposal of investments held for trading and interest income from the provision of loan financing during the year. The following is an analysis of the Group's turnover:

	2014 HK$'000	2013 HK$'000
Rental income	2,757	2,835
Net proceeds from the disposal of investments held for trading	142,054	83,340
Interest income from the provision of loan financing	5,672	7,903
	150,483	94,078

Revenue

Revenue represents the aggregate of rental income, interest income from the provision of loan financing and dividend income from investments held for trading during the year. The following is an analysis of the Group's revenue:

	2014 HK$'000	2013 HK$'000
Rental income	2,757	2,835
Interest income from the provision of loan financing	5,672	7,903
Dividend income from investments held for trading	1	17
	8,430	10,755

8. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose
2. Securities trading – trading of securities and dividend income from investments held for trading
3. Loan financing – provision of financing services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	2014 HK$'000	2013 HK$'000
Segment revenue		
– Properties investments	2,757	2,835
– Securities trading	1	17
– Loan financing	5,672	7,903
	8,430	10,755

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	2014 HK$'000	2013 HK$'000
Segment profit (loss)		
– Properties investments	**19,594**	3,786
– Securities trading	**(34,821)**	1,914
– Loan financing	**27,739**	(10,626)
	12,512	(4,926)
Unallocated corporate expenses	**(56,769)**	(24,122)
Unallocated corporate income	**2,335**	2,281
Changes in fair values of convertible instruments designated as financial assets at FVTPL	**101,110**	10,020
Changes in fair values of derivative financial assets/ liabilities	**(3,870)**	2,299
Gain arising from derecognition of derivative financial liabilities	**–**	4,567
Gain (loss) on deemed disposal of partial interest in an associate	**36,862**	(8,453)
Gain on disposal of available-for-sale financial assets	**1,892**	–
Impairment loss recognised in respect of other receivable	**(9,268)**	–
Finance costs	**(24,656)**	(1,309)
Profit (loss) before tax	**60,148**	(19,643)

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale in the current year.

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 3. Segment profit/loss represents the profit/loss attributable to each segment without allocation of central administration costs, directors' emoluments, changes in fair values of convertible instruments designated as financial assets at FVTPL, gain (loss) on deemed disposal of partial interest in an associate, gain arising from derecognition and change in fair values of derivative financial assets/liabilities, gain on disposal of available-for-sale financial assets, impairment loss recognised in respect of other receivable and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2014 HK$'000	2013 HK$'000
Segment assets		
– Properties investments	401,831	381,405
– Securities trading	232,774	172,591
– Loan financing	9,566	49,183
Total segment assets	644,171	603,179
Unallocated corporate assets	418,170	281,717
Consolidated assets	1,062,341	884,896
Segment liabilities		
– Properties investments	10,147	10,418
– Securities trading	3,209	3,458
– Loan financing	3,510	821
Total segment liabilities	16,866	14,697
Unallocated corporate liabilities	193,208	79,561
Consolidated liabilities	210,074	94,258

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale financial assets, certain plant and equipment, prepaid lease payment, interest in an associate, club debentures, convertible instruments designated as financial assets at FVTPL, derivative financial assets, bank balances and cash and certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, bond payables, borrowings, derivative financial liabilities, tax liabilities and deferred tax liabilities.

Other segment information

For the year ended 31 December 2014

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Depreciation on plant and equipment	201	–	122	2,326	2,649
Additions to plant and equipment	3	–	–	2,745	2,748
Reversal of impairment loss recognised in respect of loan and interest receivables	–	–	(25,658)	–	(25,658)
Share of profit of a joint venture	(16,185)	–	–	–	(16,185)
Fair value gains on:					
– investment properties	(7,400)	–	–	–	(7,400)
– investments held for trading	–	(3,313)	–	–	(3,313)
Loss on written off of plant and equipment	–	–	211	–	211
Loss on disposals of investments held for trading	–	19,012	–	–	19,012

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2014 *(Continued)*

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Changes in fair value of convertible instruments designated as financial assets at FVTPL	–	(101,110)	–	–	(101,110)
Changes in fair values of derivative financial assets/liabilities	–	3,870	–	–	3,870
Gain on deemed disposal of partial interest in an associate	–	(36,862)	–	–	(36,862)
Gain on disposal of available-for-sale financial assets	–	–	–	(1,892)	(1,892)
Amortisation of prepaid lease payment	–	–	–	235	235
Impairment loss recognised in respect of other receivable	9,268	–	–	–	9,268
Gain on disposal of plant and equipment	–	–	–	(240)	(240)
Interest income	–	(1)	–	(53)	(54)
Finance costs	4,100	20,556	–	–	24,656

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2013

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Depreciation on plant and equipment	212	–	147	2,156	2,515
Additions to plant and equipment, and investment properties	4,241	–	–	27	4,268
Impairment loss recognised in respect of loan and interest receivables	–	–	11,238	–	11,238
Reversal of impairment loss recognised in respect of loan and interest receivables	–	–	(2,015)	–	(2,015)
Share of profit of a joint venture	(6,528)	–	–	–	(6,528)
Fair value (gains)/losses on:					
– investment properties	(2,700)	–	–	–	(2,700)
– investments held for trading	–	13,423	–	–	13,423
Gain on disposals of investments held for trading	–	(20,284)	–	–	(20,284)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Changes in fair values of convertible instruments designated as financial assets at FVTPL	–	(10,020)	–	–	(10,020)
Changes in fair values of derivative financial assets/liabilities	–	(2,299)	–	–	(2,299)
Gain arising from derecognition of derivative financial liabilities	–	(4,567)	–	–	(4,567)
Loss on deemed disposal of partial interest in an associate	–	8,453	–	–	8,453
Interest income	–	(1,203)	(4)	(267)	(1,474)
Finance costs	–	702	–	607	1,309

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC, Hong Kong and the Commonwealth of the Northern Mariana Islands ("CNMI").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluded those financial instruments, is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**8,048**	10,111	**99,268**	135,005
PRC	**382**	644	**301,044**	285,168
CNMI	**–**	–	**20,719**	–
	8,430	10,755	**421,031**	420,173

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenues of the Group are as follows:

	2014 HK$'000	2013 HK$'000
Customer A[1]	1,032	2,142
Customer B[2]	N/A[4]	2,010
Customer C[2]	N/A[4]	1,907
Customer D[2]	2,917	N/A[4]
Customer E[2]	969	N/A[4]
Customer F[3]	965	N/A[4]
	5,883	6,059

1 Revenue from properties investments for the year ended 31 December 2014 and loan financing and properties investments for the year ended 31 December 2013
2 Revenue from loan financing
3 Revenue from properties investments
4 The corresponding revenue did not contribute over 10% of the total revenue of the Group in respective year

9. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains are as follow:

	2014 HK$'000	2013 HK$'000
Bank interest income	54	46
Interest on promissory note receivable	–	185
Other interest income	–	79
Gain on settlement of loan receivables	1,201	–
Gain on disposal of plant and equipment	240	–
Interest on convertible instruments designated as financial assets at FVTPL	–	1,164
Commission income	320	–
Others	520	807
	2,335	2,281

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank borrowings	672	702
Other loans	23,384	–
Bond payable	600	607
	24,656	1,309

11. PROFIT (LOSS) FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	30,017	21,243
Contributions to retirement benefits scheme	787	656
	30,804	21,899
Auditors' remuneration	720	770
Depreciation of plant and equipment	2,649	2,515
Amortisation of prepaid lease payment	235	–
Loss on written off of plant and equipment	211	–
Minimum lease payments under operating leases	5,980	4,398
Development cost	7,800	–
Legal and professional fee	11,927	2,582
Consultancy fee	8,212	5,470
Gross rental income	(2,757)	(2,835)
Less: outgoings (included in cost of sales)	256	226
Net rental income	(2,501)	(2,609)

12. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong	509	1,283
Deferred taxation (Note 31)	3,404	278
	3,913	1,561

12. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years ended 31 December 2014 and 2013.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The income tax expense for the years can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit (loss) before tax	60,148	(19,643)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	9,924	(3,241)
Tax effect of share of result of a joint venture	(2,670)	(1,077)
Tax effect of expenses not deductible for tax purpose	20,884	9,916
Tax effect of income not taxable for tax purpose	(27,499)	(4,455)
Effect of different tax rates of subsidiaries operating in other jurisdictions	71	(612)
Tax effect on investment properties for deferred tax purpose	3,404	(36)
Tax effect of tax loss not recognised	2,775	1,724
Tax effect of deductible temporary differences not recognised	34	346
Utilisation of tax losses previously not recognised	(3,010)	(1,004)
Income tax expense for the year	3,913	1,561

12. INCOME TAX EXPENSE *(Continued)*

No deferred tax assets attributable to other temporary differences and tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and other deductible temporary differences of approximately HK$177,796,000 (2013: HK$179,220,000) and HK$167,402,000 (2013: HK$146,772,000) respectively.

During the year ended 31 December 2014, tax loss of approximately HK$18,242,000 (2013: HK$6,085,000) for which no deferred tax asset were recognised previously was utilised.

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

	2014 HK$'000	2013 HK$'000
Executive directors and chief executives:		
Fees	–	–
Salaries and allowances *(note)*	4,897	3,588
Contributions to retirement benefits scheme	43	30
Performance bonus	–	1,656
	4,940	5,274
Non-executive director		
Fee	–	119
Independent non-executive directors		
Fees	993	993
	5,933	6,386

Note: Allowances include housing allowance.

No directors and chief executives waived their emoluments for each of the years ended 31 December 2014 and 2013. No emoluments have been paid to the directors and chief executives as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013.

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

The details of the remuneration of each director and chief executives for the years ended 31 December 2014 and 2013 are set out below:

Year ended 31 December 2014

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits schemes HK$'000	Performance bonus HK$'000	Total HK$'000
Executive directors					
Lam Kwok Hing Wilfred[1]	–	2,538	17	–	2,555
Chan Shui Sheung Ivy	–	1,937	17	–	1,954
Mok Tsan San[2]	–	388	8	–	396
Yeung Sau Han Agnes[3]	–	34	1	–	35
Independent non-executive directors					
Yuen Wai Man	331	–	–	–	331
Wang Chin Mong	331	–	–	–	331
Chow Fu Kit Edward	331	–	–	–	331
	993	4,897	43	–	5,933

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Year ended 31 December 2013

Name of directors	Fees	Salaries and allowances	Contributions to retirement benefits schemes	Performance bonus	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Yeung Sau Han Agnes[3]	–	1,794	15	828	2,637
Chan Shui Sheung Ivy	–	1,794	15	828	2,637
Non-executive director					
Lam Kwok Hing Wilfred[1]	119	–	–	–	119
Independent non-executive directors					
Yuen Wai Man	331	–	–	–	331
Wang Chin Mong	331	–	–	–	331
Chow Fu Kit Edward	331	–	–	–	331
	1,112	3,588	30	1,656	6,386

1 Appointed as non-executive director on 2 September 2013 and re-designated to executive director on 1 January 2014.

2 Appointed as executive director on 12 August 2014.

3 Resigned as executive director on 8 January 2014.

The Company did not appoint any chief executive during the years ended 31 December 2014 and 2013. The executive directors performed the duties of chief executive. The emoluments disclosed above include those services rendered by the executive directors.

14. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two directors (2013: two directors) of the Company, whose emoluments have been included in Note 13 to the consolidated financial statements. The emoluments of the remaining three individuals (2013: three individuals) for the year ended 31 December 2014 were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and allowances	**4,297**	2,950
Contributions to retirement benefits schemes	**48**	45
Performance bonus	**–**	173
	4,345	3,168

Their emoluments were within the following bands:

	2014 **No. of** **employees**	2013 No. of employees
Below HK$1,000,000	**N/A**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	N/A

15. DIVIDEND

No dividend was paid or proposed during the year nor has any dividend been proposed since the end of the reporting period (2013: Nil).

16. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2014 HK$'000	2013 HK$'000
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company	55,542	(22,415)

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	675,814	675,814
Effect of dilutive potential ordinary shares:		
Non-listed warrants	82,638	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	758,452	675,814

The computation of diluted earnings per share for the year ended 31 December 2014 does not assume the exercise of the Company's share options and the options to subscribe convertible bonds because the respective exercise prices of the Company's share options and the conversion prices of the convertible bonds were higher than the average market price of the Company's shares for the year ended 31 December 2014.

The computation of diluted loss per share for the year ended 31 December 2013 does not include the Company's share options, non-listed warrants and the options to subscribe convertible bonds as the assumed exercise of these share options, non-listed warrants and the options to subscribe convertible bonds has an anti-dilutive effect for the year ended 31 December 2013.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST						
At 1 January 2013	212	1,727	931	2,479	14,461	19,810
Additions	–	183	25	402	–	610
At 31 December 2013	212	1,910	956	2,881	14,461	20,420
Additions	1,498	294	235	721	–	2,748
Disposal	–	–	–	(650)	–	(650)
Written off	(129)	(581)	(15)	–	–	(725)
At 31 December 2014	1,581	1,623	1,176	2,952	14,461	21,793
ACCUMULATED DEPRECIATION						
At 1 January 2013	50	906	431	1,759	5,726	8,872
Charge for the year	96	420	125	414	1,460	2,515
At 31 December 2013	146	1,326	556	2,173	7,186	11,387
Charge for the year	298	275	103	535	1,438	2,649
Eliminated on disposal	–	–	–	(650)	–	(650)
Eliminated on written off	(125)	(377)	(12)	–	–	(514)
At 31 December 2014	319	1,224	647	2,058	8,624	12,872
CARRYING VALUES						
At 31 December 2014	1,262	399	529	894	5,837	8,921
At 31 December 2013	66	584	400	708	7,275	9,033

17. PLANT AND EQUIPMENT *(Continued)*

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

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer equipment	30%
Motor vehicles	30%
Vessel	10%

18. PREPAID LEASE PAYMENT

	2014 **HK$'000**	2013 HK$'000
At 1 January	**–**	–
Acquire on an acquisition of a subsidiary (Note 40)	**21,342**	–
Amortised for the year	**(235)**	–
At 31 December	**21,107**	–

	2014 **HK$'000**	2013 HK$'000
The Group's prepaid lease payment comprises		
Land outside Hong Kong		
Long term lease	**21,107**	–
Analysed for reporting purposes as:		
Current assets	**388**	–
Non-current assets	**20,719**	–
	21,107	–

The land use right is located in CNMI.

19. INVESTMENT PROPERTIES

	2014 HK$'000	2013 HK$'000
FAIR VALUE		
At 1 January	**219,964**	209,157
Acquire on an acquisition of a subsidiary *(Note 40)*	**–**	3,658
Net increase in fair value recognised in profit or loss	**7,400**	2,700
Exchange adjustments	**(826)**	4,449
At 31 December	**226,538**	219,964
Investment properties held under medium-term leases		
– Hong Kong	**88,000**	82,100
– PRC	**138,538**	137,864
	226,538	219,964

The fair value of the Group's investment properties at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out on the respective dates by Jointgoal Surveyors Limited ("Jointgoal Surveyors") or Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected with the Group. Jointgoal Surveyors and Avista has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation using market comparable approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

For properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

19. INVESTMENT PROPERTIES *(Continued)*

There has been no change from the valuation technique 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.

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

As at 31 December 2014, the Group's investment properties with carrying amount of HK$88,000,000 (2013: HK$71,400,000) has been pledged to secure borrowings granted to the Group (Note 28). As at 31 December 2013, the Group's investment property with carrying amount of HK$6,300,000 has been pledged to secure borrowings granted to a third party (Note 24(e)).

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:

2014

	Level 2 HK$'000	**Level 3 HK$'000**	**Fair value HK$'000**
Investment properties	**35,200**	**191,338**	**226,538**

2013

	Level 2 HK$'000	Level 3 HK$'000	Fair value HK$'000
Investment properties	62,478	157,486	219,964

During the year ended 31 December 2014, the fair value hierarchy of a property located in PRC has been transferred from Level 2 to Level 3 as the property started to generate rental income during the year.

There were no transfers into or out of Level 2 and Level 3 during the year ended 31 December 2013.

19. INVESTMENT PROPERTIES *(Continued)*

Valuation techniques and inputs used in Level 2 fair value measurements of investment properties:

The fair values of certain investment properties located in Hong Kong and PRC are determined using market comparable approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Information about Level 3 fair value measurements of investment properties:

Valuation technique	Key input	Significant unobservable inputs 2014	Significant unobservable inputs 2013
Income approach	Rental yield, time factor and capitalisation rates	Capitalisation rates ranging from 2% to 4.75%	Capitalisation rates ranging from 2.2% to 4.25%

The fair value measurement of investment properties based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the capitalisation rates. A slight increase in capitalisation rate used would result in a significant decrease in fair value measurement of the properties, vice versa.

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis:

	Investment properties classified as Level 3 HK$'000
1 January 2013	153,370
Net increase in fair value recognised in profit or loss	614
Exchange adjustments	3,502
At 31 December 2013	157,486
Net increase in fair value recognised in profit or loss	9,299
Exchange adjustments	(648)
At 31 December 2014	**166,137**

19. INVESTMENT PROPERTIES *(Continued)*

The above net increase in fair value recognised in profit or loss are included in the consolidated statement of profit or loss and other comprehensive income and is attributable to the changes in fair values of investment properties held at the end of the reporting period.

20. INTEREST IN AN ASSOCIATE

	2014 HK$'000	2013 HK$'000
Cost of investment in:		
a listed associate in HK	–	43,200
Less: Accumulated impairment loss recognised	–	(1,475)
	–	41,725
Fair value of listed investments	–	74,529

The fair values of the Group's interests in an associate disclosed above are based on the quoted market price available on the Stock Exchange, which are Level 1 input in terms of HKFRS 13.

As at 31 December 2014 and 2013, the Group had interest in China Eco-Farming Limited ("CEF") as follow:

Name of entity	Form of entity	Place of incorporation	Principal place of operations	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights interest held by the Group		Principal activity
					2014	2013	**2014**	2013	
CEF	Incorporated	Bermuda	Hong Kong	Ordinary	**14.42% *(Note b)***	20.98% *(Note a)*	**14.42% *(Note b)***	20.98% *(Note a)*	Investment holding

20. INTEREST IN AN ASSOCIATE *(Continued)*

Notes:

(a) During the year ended 31 December 2013, CEF issued 586,000,000 new shares by way of placing which the percentage of equity interest attributable to the Group was diluted from 25.17% to 20.98%. Loss on deemed disposal of partial interest in an associate of approximately HK$8,453,000 was recognised in profit or loss during the year ended 31 December 2013.

(b) During the year ended 31 December 2014, CEF issued 800,000,000 new shares by way of placing which the percentage of equity interest attributable to the Group was diluted from 20.98% to 14.42%. Accordingly, CEF ceased to be an associate and the Group has accounted for the remaining 14.42% equity interest as investment held for trading whose fair value at the date of deemed disposal was approximately HK$78,587,000. Gain on deemed disposal of partial interest in an associate of approximately HK$36,862,000 was recognised in profit or loss during the year ended 31 December 2014.

As at 31 December 2013, included in the cost of investment in a listed associate in Hong Kong is goodwill of HK$41,725,000 arising on acquisition of an associate.

No impairment of interest in an associate recognised during the year ended 31 December 2013.

Summarised financial information of the associate

Summarised financial information for the year ended 31 December 2013 in respect of the Group's associate is set out below.

The summarised financial information for the year ended 31 December 2013 represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

20. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate *(Continued)*

CEF

	2013 HK$'000
Current assets	19,298
Non-current assets	7,978
Current liabilities	(11,981)
Non-current liabilities	(4,806)

	2013 HK$'000
Revenue	19,194
Loss and total comprehensive expense for the year	(25,760)
Total comprehensive expense for the year	(25,760)
Dividend received from the associate during the year	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements for the year ended 31 December 2013:

	2013 HK$'000
Net assets of CEF	10,489
Proportion of the Group's ownership interest in CEF	20.98%
Goodwill	41,725
Carrying amount of the Group's interest in CEF	41,725

20. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate *(Continued)*

CEF *(Continued)*

The Group has stopped recognising its share of losses of the associate when applying the equity method. The unrecognised share of the associate, for the year ended 31 December 2013 and cumulatively, is set out below:

	2013 HK$'000
The unrecognised share of losses of an associate for the year	5,404
Cumulative share of losses of an associate	9,218

21. INTEREST IN A JOINT VENTURE

	2014 **HK$'000**	2013 HK$'000
Cost of investment in an unlisted joint venture in the PRC	**96,719**	96,719
Share of post acquisition profits	**55,525**	39,340
Share of post acquisition other comprehensive income	**9,919**	10,702
	162,163	146,761

21. INTEREST IN A JOINT VENTURE *(Continued)*

As at 31 December 2014 and 2013, the Group had interest in the following joint venture:

Name of entity	Form of entity	Place of incorporation	Principal place of operations	Issued and fully paid share capital	Proportion of ownership interest held by the Group		Proportion of voting rights interest held by the Group		Principal activities
					2014	2013	**2014**	2013	
Changsha Seg	Incorporated	PRC	PRC	Registered capital of RMB 35,000,000	**54%**	54%	**54%**	54%	Rental of office premises and properties investment

Note: The Group holds 54% of the issued share capital of Changsha Seg, however, the Group only have joint control over the composition of the board of directors of Changsha Seg which is therefore classified as a joint venture of the Group.

Included in the cost of investment in the joint venture as at 31 December 2014 is goodwill of HK$17,909,000 (2013: HK$17,909,000) arising on the acquisition. There are no movements in the goodwill during each of the reporting periods.

Summarised financial information of a material joint venture

Summarised financial information in respect of the Group's joint venture is set out below.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

21. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a material joint venture *(Continued)*

Changsha Seg

	2014 HK$'000	2013 HK$'000
Current assets	5,648	7,109
Non-current assets	348,957	324,086
Current liabilities	(87,468)	(92,580)
Included in the amounts disclosed above are:		
Cash and cash equivalents	3,190	4,142
Current financial liabilities (excluding trade and other payables and provisions)	–	–

	2014 HK$'000	2013 HK$'000
Revenue	27,379	25,117
Profit for the year	29,970	12,089
Other comprehensive (expense) income for the year	(1,451)	7,946
Total comprehensive income for the year	28,519	20,035

The above profit for the year included the following:

	2014 HK$'000	2013 HK$'000
Depreciation and amortisation	2,174	4,772
Interest income	(11)	(13)
Interest expense	255	917
Income tax expense	1,782	1,387

21. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a material joint venture *(Continued)*

Changsha Seg *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Seg recognised in the consolidated financial statements:

	2014	2013
	HK$'000	HK$'000
Net assets of the joint venture	**267,137**	238,615
Proportion of the Group's equity interest in Changsha Seg	**54%**	54%
Goodwill	**17,909**	17,909
Carrying amount of the Group's equity interest in Changsha Seg	**162,163**	146,761

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	2014	2013
	HK$'000	HK$'000
Unlisted investment in funds, at fair value	**35,754**	28,904
Unlisted equity investments in Hong Kong, at cost	**6,392**	4,500
Less: accumulated impairment loss recognised	**(500)**	(500)
	5,892	4,000
	41,646	32,904

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The Group's investment in the unlisted equity investments represented (i) 3.08% equity interest in a Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong (2013: 3.08% equity interest in another Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong); and (ii) 5% (2013: 5%) equity interest in a Hong Kong private company engaged in investment holding. These investments are measured at cost less accumulated impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. No impairment loss was recognised in the profit or loss during the year ended 31 December 2014. Impairment loss of approximately HK$110,000 was recognised in the profit or loss during the year ended 31 December 2013 as the investee had incurred continuing operating loss in the past few years and no future cash inflow is expected from the investee.

The Group's unlisted investment in funds is measured at fair value and is classified as Level 2 fair value measurement (see Note 6(c)). Fair value gain of approximately HK$6,850,000 (2013: HK$8,093,000) was recognised in other comprehensive income during the year ended 31 December 2014.

Unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2014	2013
	HK$'000	HK$'000
USD	**35,754**	28,904

23. LOAN AND INTEREST RECEIVABLES

	2014 HK$'000	2013 HK$'000
Loan and interest receivables arising from loan financing business:		
Secured loan and interest receivables	**157,037**	206,121
Unsecured loan and interest receivables	**64,568**	73,796
Less: accumulated impairment loss recognised	**(212,289)**	(237,947)
	9,316	41,970
Other loan receivables:		
Amount due from a former subsidiary	**151,980**	151,980
Advance to CEF	**–**	6,489
Other unsecured loan receivable	**–**	3,823
	151,980	162,292
Less: accumulated impairment loss recognised	**(151,980)**	(155,803)
	–	6,489
	9,316	48,459

The secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares and properties located in Hong Kong and bear interest at fixed interest rate ranging from 8% to 12% (2013: 8% to 14%) per annum.

As at 31 December 2014, the unsecured loan receivables arising from loan financing business bear interest at a fixed rate ranging from 10% to 14% (2013: 8% to 14%) per annum.

Amount due from a former subsidiary and other unsecured loan receivable is unsecured, non-interest bearing and repayable on demand.

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

During the year ended 31 December 2013, advance to CEF, an associate of the Company, was unsecured, bears interest at 6% per annum and repayable on 31 July 2013, and was extended to 30 September 2014. This advance was early repaid on 30 March 2014.

The following table illustrates the ageing analysis, based on the loan drawn down dates, of the loan and interest receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	2014 **HK$'000**	2013 HK$'000
Less than 3 months	**3,797**	–
More than 3 months but less than 6 months	**–**	5,118
More than 12 months	**5,519**	43,341
	9,316	48,459

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements. Further details on the Group's credit policy are set out in Note 6.

The ageing analysis of loan and interest receivables which were past due but not impaired is as follows:

	2014 **HK$'000**	2013 HK$'000
Less than 3 months	**5,350**	–
More than 3 months but less than 6 months	**169**	–
More than 6 months but less than 12 months	**–**	22,079
	5,519	22,079

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

Included in the Group's loan and interest receivables balances are debtors with aggregate carrying amount of approximately HK$5,519,000 (31 December 2013: HK$22,079,000) which are past due but not impaired as at 31 December 2014 for which the Group has not provided for impairment loss. The Group holds listed securities as collateral over those balances. Management believes that no further impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are considered fully recoverable.

During the year ended 31 December 2014, no impairment loss (2013: HK$11,238,000) on loan and interest receivables was recognised in the consolidated statement of profit or loss and other comprehensive income. The loan and interest receivables impaired were related to past due loan and interest receivables which management, after taking actions to negotiate with the borrowers, to dispose of the related collaterals and/or issuing writs to sue for the overdue balances, assessed that the entire amount of the relevant receivables is irrecoverable.

The Group held certain equity securities listed on the Stock Exchange with fair value of approximately HK$14,720,000 as at 31 December 2014 (31 December 2013: HK$47,576,000) as collateral over the secured loan and interest receivables.

The movement of accumulated impairment losses of the loan and interest receivables and other loan receivables during the reporting period is as follows:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**393,750**	384,527
Impairment losses recognised	**–**	11,238
Impairment losses reversed	**(25,658)**	(2,015)
Written off	**(3,823)**	–
At 31 December	**364,269**	393,750

Included in the impairment loss recognised at 31 December 2014 was individually impaired loan and interest receivables with a carrying amount of approximately HK$364,269,000 (31 December 2013: HK$393,750,000) before impairment.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2014 HK$'000**	2013 HK$'000
Unlisted instrument issued by Hong Kong listed companies:			
New Environmental Energy Holdings Limited ("NEE") convertible bonds	*(a)*	**–**	17,937
CEF Convertible bonds	*(b)*	**–**	40,000
The Hong Kong Building and Loan Agency Limited ("HKBLA") convertible bonds A	*(c)*	**8,645**	8,675
HKBLA convertible bonds B	*(d)*	**141,981**	–
		150,626	66,612

Notes:

(a) Convertible bonds of NEE (the "NEE CBs") was held by Winner Performance Limited ("Winner Performance"), indirectly wholly-owned subsidiary of the Company, represent five-year zero coupon rate convertible bond issued by NEE, a company listed on the Main Board of the Stock Exchange. The NEE CBs can be converted, in an amount of not less than HK$1,000,000, into new ordinary shares of NEE at any time within a period of five years starting from 11 December 2009 at a conversion price of HK$1.18. The conversion price of NEE CBs was changed from HK$1.18 per share to HK$1.13 per share on 23 May 2011, and subsequently to HK$0.85 per share as at 31 December 2013. As at 31 December 2013, the fair value of the NEE CBs with principal amounts of HK$16,000,000 was HK$17,937,000. The loss arising from fair value changes of NEE CBs of HK$1,937,000 (2013: gain of HK$4,462,000) was recognised in profit or loss for the year ended 31 December 2014. The NEEs CBs was matured on 10 December 2014 and principal amount of HK$16,000,000 was repaid to Winner Performance.

(b) During the year ended 31 December 2013, Top Status International Limited ("Top Status"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for 5%-coupon rate convertible bonds which were issued by CEF in the principal amount of HK$34,500,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$0.01 per conversion share, a total of 3,450,000,000 conversion shares of CEF will be allotted and issued. As at 31 December 2013, the fair value of the convertible bonds of CEF was HK$40,000,000. The gain arising from fair value changes of CEF convertible bonds of HK$5,500,000 was recognised in profit or loss for the year ended 31 December 2013. During the year ended 31 December 2014, Top Status disposed of the convertible bonds to the purchaser, Sino Coronet Limited, which the sole shareholder and sole director is an associate of Ms. Yeung Sau Han Agnes, for the cash consideration of HK$40,000,000.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(c) During the year ended 31 December 2013, Sure Venture Investment Limited ("Sure Venture"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for the convertible bonds with 10% coupon rate (the "HKBLA CBs A") which were issued by HKBLA in the principal amount of HK$1,566,000 for HK$1,651,000 which are matured on 31 December 2015. Assuming the conversion rights attaching to the HKBLA CBs A are exercised in full which the initial conversion price was HK$0.18 per conversion share and then adjusted to HK$0.14 per share as at 31 December 2013 and further adjusted to HK$0.10 per share as at 31 December 2014, a total of 15,660,000 conversion shares of HKBLA will be allotted and issued. As at 31 December 2014, the fair value of the HKBLA CBs A was HK$8,645,000 (2013: HK$8,675,000). The loss arising from fair value changes of HKBLA CBs A of HK$30,000 (2013: gain of HK$7,024,000) was recognised in profit or loss for the year ended 31 December 2014.

(d) During the year ended 31 December 2014, Sina Winner Investment Limited ("Sina Winner"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for the zero coupon convertible bonds (the "HKBLA CBs B") which were issued by HKBLA in the principal amount of HK$43,200,000 which are matured on 31 December 2016. Assuming the conversion rights attaching to the HKBLA CBs B are exercised in full which the initial conversion price was HK$0.135 per conversion share, a total of 320,000,000 conversion shares of HKBLA will be allotted and issued. During the year ended 31 December 2014, HKBLA CBs B with principal amount of HK$1,350,000 has been converted into shares.

On 27 May 2014, HKBLA, FT Securities Limited ("FTS") and Sina Winner entered into a convertible bond lending and subscription agreement (the "CB Lending and Subscription Agreement") pursuant to which, Sina Winner has conditionally agreed to lend or otherwise make the HKBLA CBs B available to FTS at the principal amount of HK$41,850,000, and FTS may convert them or any part thereof into such amount of HKBLA shares up to 310,000,000 shares ("FT Placing Shares") for placing (the "FT Placing"). FT Placing was completed on 4 July 2014, an aggregate of 40,000,000 FT Placing Shares for FT Placing had been placed at the placing price of HK$0.8 per share and the proceeds from the placing were HK$32,000,000. Pursuant to the CB Lending and Subscription Agreement, FTS shall subscribe for new convertible bond in such principal amount as is equivalent to the aggregate principal amount of the convertible bonds being converted into FT Placing Shares for the purpose of the FT Placing to be issued by HKBLA, its principal amount shall not exceed HK$41,850,000 (the "New CB"). In the course of FT Placing, FTS shall subscribe for New CB in the principal amount of HK$5,400,000 which is to be issued by HKBLA. Upon the completion of FT placing, HK$36,450,000 convertible bonds, which had not been converted into FT Placing Shares, together with the New CB in the principal amount of HK$5,400,000 were returned to Sina Winner to the Company immediately after the completion of the New CB subscription. In addition, in return for the CB Lending and Subscription Agreement, HKBLA shall pay to Sina Winner an amount as is equivalent to 1% of entire amount of gross proceeds of the FT Placing at the completion date.

As at 31 December 2014, the fair value of the convertible notes of HKBLA was HK$141,981,000. The gain arising from fair value changes of HKBLA CBs B of approximately HK$103,077,000 was recognised in profit or loss for the year ended 31 December 2014.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(e) During the year ended 31 December 2012, Miracle Stand Limited ("Miracle Stand"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, Teamedics Enterprise (Holdings) Co., Limited ("TE") which is an investment holding company and its subsidiaries (collectively referred to as the "Teamedics Group") is engaged in manufacturing and trading of electronic products and Mr. Wong Chi To Alex, the guarantor and the shareholder of TE, entered into the subscription agreement pursuant to which Miracle Stand has agreed to subscribe for the convertible bonds which were issued by TE in the principal amount of HK$5,900,000 with 12% coupon rate per annum by way of procuring The Hong Kong and Shanghai Banking Corporation ("Bank") to grant and provide to TE and/or Teamedics International Company Limited credit facilities of HK$5,050,000 and RMB30,000 (totally approximate HK$5,087,000). Assuming the conversion rights attaching to the convertible bonds are exercised in full at the conversion price of HK$8 per conversion share, up to 737,500 conversion shares of TE will be allotted and issued. As at 31 December 2013, HK$6,300,000 of the Group's investment properties have been pledged to secure banking facilities granted to TE (Note 19).

At the expiration of the credit facility available period or in case the credit facility is being cut, withdrawn, revoked or otherwise no longer available for the use of the Teamedics Group prior to the expiration of the credit facility available period (collectively, the "Credit Facility Expiration"), Miracle Stand shall make repayment up to HK$5,087,000 ("Monetary Amount"), but if the aggregate amount due and owing by Teamedics Group to the Bank at Credit Facility Expiration is less than the Monetary Amount, Miracle Stand shall pay to the Teamedics Group in cash for the difference between the actual amount paid by Miracle Stand to the Bank and final settlement of the consideration or any outstanding part thereof. The amount of HK$5,087,000 was credited to other payables as at 31 December 2012. As at 31 December 2013, the fair value of the TE convertible bond was zero as Teamedics Group had default in interest and principal payments of the bank loans. The loss arising from fair value changes of TE convertible bonds of HK$6,966,000 was recognised in profit or loss for the year ended 31 December 2013. During the year ended 31 December 2014, the Group had repaid the amount due owing by Teamedics Group to the Bank and the pledged investment properties of the Group had been released.

(f) During the year ended 31 December 2012, First Champion Worldwide Limited ("First Champion"), a wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for the three-year zero coupon rate convertible bonds which were issued by Long Success International (Holdings) Limited ("LS") in the principal amount of HK$20,000,000. Assuming the conversion rights attaching to the convertible bonds were exercised in full at the initial conversion price of HK$0.08 per conversion share, a total of 250,000,000 conversion shares of LS will be allotted and issued. As at 31 December 2012, the fair value of the convertible bonds of LS was HK$21,000,000. During the year ended 31 December 2013, First Champion disposed of the convertible bonds to a purchaser, Mr. Lin Jiantuan, an independent third party, for the cash consideration of HK$21,000,000.

A fair value gain on the convertible bonds designated as financial assets at FVTPL of approximately HK$101,110,000 in aggregate was recognised for the year ended 31 December 2014 (2013: HK$10,020,000). There was no redemption of convertible bonds during the year ended 31 December 2014 and 2013.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The fair values of the convertible instruments designated as financial assets at FVTPL were valued by Grant Sherman Appraisal Limited ("Grant Sherman"), independent qualified professional valuers not connected with the Group, using the Binominal Option Pricing Model. The inputs into the model of each convertible bond as at 31 December 2014 and 2013 were as follows:

	2014	2013
NEE CBs		
Stock price	N/A	HK$0.68
Adjusted conversion price	N/A	HK$0.85
Volatility	N/A	78.54%
Dividend yield	N/A	0%
Option life (years)	N/A	0.94
Risk free rate	N/A	0.19%
HKBLA CBs A		
Stock price	HK$0.55	HK$0.75
Conversion price	HK$0.10	HK$0.14
Volatility	70.01%	94.74%
Dividend yield	0%	0%
Option life (years)	1	2
Risk free rate	0.13%	0.36%
HKBLA CBs B		
Stock price	HK$0.55	N/A
Conversion price	HK$0.135	N/A
Volatility	86.36%	N/A
Dividend yield	0%	N/A
Option life (years)	2	N/A
Risk free rate	0.57%	N/A

* The information are extracted from the valuation report performed by Grant Sherman, an independent qualified professional valuer not connected with the Group.

Details of the fair value measurement for the convertible instruments designated as financial assets at FVTPL are disclosed in Note 6(c).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Deposits paid for acquisition of potential investments *(Note a)*	20,000	76,000
Accumulated impairment loss on the deposits paid for acquisition of potential investments	(20,000)	(20,000)
	–	56,000
Prepayments	1,370	1,673
Rental and utility deposits	3,053	689
Other receivables *(Note b)*	185,848	46,772
Deposit with a securities broker *(Note c)*	18	719
	190,289	105,853

Notes:

(a) During the year ended 31 December 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Peak Prosper Holdings Limited ("PPH"), an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit of HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement.

On 9 March 2012, King Perfection and the Group issued a writ of summons in the Court of First Instance of Hong Kong against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made during the year ended 31 December 2011.

Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. The management considered that the recoverability of the outstanding amount of HK$20,000,000 was uncertain, no reversal of impairment loss was made for the year ended 31 December 2014.

During the year ended 31 December 2012, HK$20,000,000 and during the year ended 31 December 2013, a further deposit of HK$20,000,000 was paid to an independent third party of the Company for potential investment. During the year ended 31 December 2014, the potential investment has been turned down and lapsed, the aggregate deposit of HK$40,000,000 was refunded.

During the year ended 31 December 2013, HK$16,000,000 was paid to an independent third party of the Company for potential investment. During the year ended 31 December 2014, the potential investment has been turned down and lapsed, the deposit paid was transferred to other receivables which will be repaid by installments up to 30 June 2015 (Note 25(b)).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) (*Continued)*

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2014 HK$'000	2013 HK$'000
At 1 January and 31 December	20,000	20,000

At the end of each reporting period, the Group's deposits paid for acquisition of potential investment were individually determined to be impaired. No collaterals were pledged on the impaired deposits paid for acquisition of potential investment as at 31 December 2014 and 2013. Management considers that the recoverability of certain deposits paid for acquisition of potential investment was uncertain and legal action has been taken by the Group in respect of the deposits paid of HK$20,000,000 included both years ended 31 December 2014 and 2013, details are disclosed above.

(b) Included in other receivables as at 31 December 2014 is an amount of HK$32,000,000 (2013: HK$32,000,000) due from a related party. It represents the contemplation in acquisition of financial assets. It was unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2011, the Group disposed of the inventories to an independent third party, a PRC company at a consideration of HK$23,197,000. The balance of the proceeds of HK$9,369,000 (2013: HK$13,128,000) was included in the other receivables as at 31 December 2014. It was unsecured, non-interest bearing and had been due as at 31 December 2013. Although the repayment schedule has been revised during the year ended 31 December 2014, the management considered that the recoverability of the balance was uncertain and impairment was considered as necessary for the year ended 31 December 2014. As such, the balance was fully impaired for the year ended 31 December 2014.

Included in other receivables as at 31 December 2014 is a prepayment of approximately HK$151,638,000 (2013: Nil) regarding an agency agreement (the "Agency Agreement") entered between Gain Millennia Limited (the "GML"), a wholly-owned subsidiary of the Company, Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and Well Target Limited ("WTL") on 17 July 2014. Pursuant to the Agency Agreement, GML, as preferred agent, to render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, the CNMI, and GML shall pay to HKE a refundable prepayment in the total sum of approximately HK$151,638,000 which shall be settled upon the execution of the Agency Agreement. However, GML considered it is inappropriate and undesirable to continue with the Agency Agreement. On 9 December 2014, GML, WTL and HKE entered into a deed of settlement (the "Deed of Settlement"), in which both parties agree to terminate the Agency Agreement. HKE shall, and WTL, as the guarantor shall procure HKE to refund the prepayment by way of approximately HK$50,000,000, HK$50,000,000 and HK$51,638,000 on 28 February 2015, 30 April 2015 and 30 June 2015 to GML respectively.

(c) Deposit with a securities broker was unsecured, non-interest bearing and repayable on demand.

26. INVESTMENTS HELD FOR TRADING

Investments held for trading consisted of:

	2014 HK$'000	2013 HK$'000
Listed securities held for trading, at fair value – Equity securities listed in Hong Kong	231,742	170,831

27. BANK BALANCES AND CASH

Bank balances carry interest at market rates at 0.01% (2013: 0.01%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2014 HK$'000	2013 HK$'000
Amounts denominated in:		
RMB	481	1,115

27. BANK BALANCES AND CASH *(Continued)*

The Group's material bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2014 HK$'000	2013 HK$'000
USD	1,037	4,124

28. BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured:		
Bank borrowings	27,667	29,731
Other loans	81,700	–
	109,367	29,731

	2014 HK$'000	2013 HK$'000
Carrying amount repayable:		
Within one year	83,016	2,063
More than one year but not exceeding two years	1,348	1,319
More than two years but not more than five years	4,239	4,148
More than five years	20,764	22,201
	109,367	29,731

28. BORROWINGS *(Continued)*

	2014 HK$'000	2013 HK$'000
Carrying amount repayable within one year	**83,016**	2,063
Carrying amount of borrowings that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities	**26,351**	27,668
	109,367	29,731

The Group's borrowings are all denominated in Hong Kong Dollar. As at 31 December 2014, the borrowings were secured by Group's five (2013: three) investment properties with the carrying amount of HK$88,000,000 (2013: HK$71,400,000), certain investments held for trading and convertible instruments designated as financial assets at FVTPL. The bank borrowings bear interest from HIBOR+1.75% to 2.5% (2013: HIBOR+1.75% to 2.5%) per annum. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's bank borrowings for the year ended 31 December 2014 are ranging from 1.96% to 2.5% (2013: 1.95% to 2.5%). Other loans bear interest at fixed rate ranging from 16.2% to 30% per annum.

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The derivative financial assets/liabilities of the Group are not for the hedging purpose.

Derivative financial assets

During the year ended 31 December 2013, Sure Venture as a subscriber, agreed to purchase from an independent third party for the 20,000,000 warrants which were issued by Chinese Food and Beverage Group Limited ("CFB") at a consideration of HK$230,000, and will be expired on 12 December 2014. Assuming the warrants are exercised in full at the initial exercise price of HK$0.7 per warrant, a total of 20,000,000 shares of CFB will be allotted and issued. During the year ended 31 December 2013, 10,000,000 warrants were exercised for a cash consideration of HK$7,000,000 of which those converted shares were recognised as investments held for trading. As at 31 December 2014, all the remaining warrants have been expired. As at 31 December 2013, the fair value of the remaining warrants of CFB was HK$2,014,000. The loss arising from fair value changes of CFB warrants of approximately HK$2,014,000 was recognised in profit or loss for the year ended 31 December 2014 (2013: gain of approximately HK$2,299,000).

The following is the derivative financial assets recognised and movements thereon during the reporting period:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**2,014**	–
Additions	**–**	230
(Decrease) increase in fair value	**(2,014)**	2,299
Exercises of option	**–**	(515)
At 31 December	**–**	2,014

The fair value of the warrant to subscribe for shares was valued by Grant Sherman, an independent qualified professional valuer not connected with the Group. The valuation was made by using the Binominal Option Pricing Model.

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial assets *(Continued)*

The inputs into the model were as follows:

	2013
Applicable stock price	HK$0.72
Exercise price	HK$0.70
Volatility	71.89%
Dividend yield	0%
Option life (years)	0.95
Risk free rate	0.192%

Derivative financial liabilities

On 30 May 2012, the Company and the placing agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, not less than six independent placees to subscribe for up to 27 options at a premium of HK$50,000 per option ("CB Option A").

Upon exercise of each of the option, the optionholder was entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 27 options, the optionholders were entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$27,000,000 at the subscription price of HK$27,000,000. The convertible bonds were convertible into 135,000,000 new shares of the Company at the conversion price of HK$0.20 per conversion share. Receipt of HK$1,350,000 in relation to the premium of 27 options of HK$50,000 per option was credited to liabilities at the date of the issue of the options and its fair value was approximately HK$4,567,000 as at 31 December 2012. During the year ended 31 December 2013, the options was expired and no option has been exercised, the gain arising from derecognition of options of HK$4,567,000 was recorded in profit or loss for the year ended 31 December 2013.

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial liabilities *(Continued)*

On 18 June 2014, the Company and another placing agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, not less than six independent placees to subscribe for up to 130 options at a premium of HK$10,000 per option ("CB Option B"). Completion was taken place on 27 June 2014.

Upon exercise of each of the option, the optionholder was entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 130 options, the optionholders were entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$130,000,000 at the subscription price of HK$130,000,000. Receipt of HK$1,300,000 in relation to the premium of 130 options of HK$10,000 per option was credited to liabilities at the date of the issue of the options and its fair value was approximately HK$3,156,000 as at 31 December 2014. During the year ended 31 December 2014, the loss arising from fair value changes of HK$1,856,000 was recorded in profit or loss for the year ended 31 December 2014.

The following is the derivative financial liabilities recognised and movements thereon during the reporting period:

	HK$'000
At 1 January 2013	4,567
Expiration	(4,567)
At 31 December 2013	–
Addition	1,300
Increase in fair value	1,856
At 31 December 2014	**3,156**

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial liabilities *(Continued)*

The fair value of the CB Option B as at 31 December 2014 and the CB Option A as at 31 December 2012 was valued by Grant Sherman, an independent qualified professional valuer not connected with the Group. The valuation was made by using the Binominal Option Pricing Model and considering the present value of the stream of future cash flows discounted at the interest rate of 11.93% (2013: 5.85%).

The inputs into the model were as follows:

	CB Option B	CB Option A
Spot price	HK$0.64	HK$0.215
Exercise price	HK$1.0	HK$0.2
Volatility	77%	46.67%
Dividend yield	0%	0%
Option life (years)	2.5	2.41
Risk free rate for convertible bond	0.801%	0.118%
Risk free rate for convertible bond option	0.801%	0.05%

30. BOND PAYABLE

The bond payable is repayable on 5 December 2019, unsecured, transferrable and bearing interest rate of 6% per annum.

31. DEFERRED TAXATION

The following are the major deferred tax liability recognised and movements thereon during the reporting period:

	Fair value changes in investment properties HK$'000
At 1 January 2013	21,536
Charge to profit or loss *(Note 12)*	278
Exchange adjustment	711
At 31 December 2013	22,525
Charge to profit or loss *(Note 12)*	3,404
Exchange adjustment	(141)
At 31 December 2014	**25,788**

32. NON-LISTED WARRANTS

On 27 May 2013, the Company and FTS entered into a placing agreement in respect of the placement of 135,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.001 each at a subscription price of HK$0.20. Details of the above are set out in the Company's announcement dated 28 May 2013.

The placement was completed on 6 June 2013 with the warrants expiring on 6 June 2015. Receipt of HK$1,350,000 in relation to the warrants was credited to warrants reserve at the date of issue of the warrants. No warrant had been exercised during the years ended 31 December 2014 and 2013.

33. SHARE CAPITAL

	Par value per share HK$	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares			
At 1 January 2013, 31 December 2013 and 31 December 2014	0.001	100,000,000	100,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2013, 31 December 2013 and 31 December 2014	0.001	675,814	676

34. SHARE OPTION SCHEME

Share option scheme adopted on 22 November 2002 (the "Expired Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 22 November 2002, the Company terminated the old share option scheme and adopted a new share option scheme ("Expired Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the Expired Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Expired Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company 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 in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

34. SHARE OPTION SCHEME *(Continued)*

Share option scheme adopted on 22 November 2002 (the "Expired Share Option Scheme") *(Continued)*

The Expired Share Option Scheme remained in force for a period of 10 years from 22 November 2002. The Expired Share Option Scheme was expired during the year ended 31 December 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Share option scheme adopted on 2 April 2014 (the "Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company 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 in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme will remain in force for 10 years from 2 April 2014, unless otherwise cancelled or amended. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share option was granted or exercised under the Expired Share Option Scheme and the Share Option Scheme during the years ended 31 December 2014 and 2013.

34. SHARE OPTION SCHEME *(Continued)*

Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") *(Continued)*

Details of the share options outstanding during the year ended 31 December 2014 and 2013 were:

	Date of grant	Exercisable period	Subscription price per share	Outstanding at 31 December 2013 and 31 December 2014
			HK$	
Employees	3.4.2007	3.4.2007 – 2.4.2017	7.35	1,000,000
Consultants	3.4.2007	3.4.2007 – 2.4.2017	7.35	1,200,000
				2,200,000
Exercisable at the end of the year				2,200,000
Weighted average exercise price				HK$7.35
Weighted average remaining contractual life				1.25 years

35. COMMITMENTS

(a) Operating lease commitment

The Group as lessor

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

	2014	2013
	HK$'000	HK$'000
Within one year	**2,084**	2,835
In the second to fifth year inclusive	**119**	1,862
	2,203	4,697

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 1.2% (2013: 1.3%) on an ongoing basis. All of the properties held have committed tenants for the next one to three years (2013: one to five years).

The Group as lessee

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

	2014	2013
	HK$'000	HK$'000
Within one year	**6,578**	3,782
In the second to fifth year inclusive	**3,742**	1,429
	10,320	5,211

Operating lease payments represent rentals payable by the Group for certain of its office properties (2013: office properties and staff quarters). Leases are negotiated and rentals are fixed for an average of two years (2013: three years).

(b) Capital commitment

As at 31 December 2014, the Group did not have any material capital commitment (31 December 2013: Nil).

36. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries are charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,250 per month prior to June 2014 and HK$1,500 after June 2014.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$787,000 (2013: HK$656,000).

37. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the years were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and allowances	**9,194**	8,367
Contributions to retirement benefits scheme	**91**	75
	9,285	8,442

The remuneration of Directors and key executives are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(b) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the years ended 31 December 2014 and 31 December 2013.

38. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2014:

(a) Loan and interest receivables of approximately HK$15,279,000 were settled by certain listed shares, which were recognised as investments held for trading, with fair value of approximately HK$21,400,000 by the borrower.

(b) Loan and interest receivables of approximately HK$23,642,000 partly impaired in prior years were partially settled by certain listed shares, which were recognised as investments held for trading, with fair value of approximately HK$6,284,000 by the borrower.

(c) Loan and interest receivables of approximately HK$14,420,000 fully impaired in prior years were settled by certain listed shares, which were recognised as investments held for trading, with fair value of approximately HK$14,420,000 by the borrower.

For the year ended 31 December 2013:

(a) Other receivables of HK$30,520,000 were settled by certain shares of a company listed in the Stock Exchange, which were recognised as investments held for trading, with fair value of approximately HK$30,520,000 by the borrower.

(b) Loan receivables of HK$6,018,000 which fully impaired in prior years were settled by certain listed shares, which were recognised as investments held for trading, with fair value of approximately HK$2,015,000 by the borrower.

39. LITIGATIONS

Up to the reporting date, the litigations listed below are related to the Group.

(i) On 28 March 2012 and 7 September 2012 and 23 May 2013, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$218,529,000 and HK$226,709,000 as at 31 December 2014 and 31 December 2013, respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of Nil and HK$11,238,000 was recognised in profit and loss for the year ended 31 December 2014 and 31 December 2013, respectively (Note 23).

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to pay the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. Securities of HK$2,015,000 were received as part of the settlement of the loan. Due to the uncertainty of the recoverability of the remaining loan receivables, the management considered that no reversal of impairment loss should be made for the remaining loan receivable for the year ended 31 December 2013.

(ii) On 6 May 2013, a writ of summons has been served to the Company, claiming for repayment for the loss of the plaintiff of approximately RMB5,188,732,000. The legal case is related to breach of contracts in respect of the investment in a joint venture which will conduct railway cargo transportation services in the PRC. On 13 May 2014, the plaintiff had completely crossed out its statement of claim and replaced the same with a new one and the amount of monetary claim was reduced from approximately RMB5,188,732,000 to HK$100,000,000. The Company has taken out the relevant applications to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court. The hearing of the legal case will be heard on 28 May 2015.

Relying on legal advice, it is opined that the Company has good case to strike out the claim.

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2014

On 23 May 2014, Magic Perfection Global Limited ("Magic Perfection"), an indirectly wholly owned subsidiary of the Company, and Mr. Sui Ka Man ("Mr. Sui"), an independent third party, as the assignor, executed the assignment of shares of Tinian Realty International Co., ("TRI"), pursuant to which Mr. Sui has assigned the entire issued share capital of TRI to Magic Perfection at the consideration of United State Dollars ("USD") 50,000 (equivalent to approximately HK$390,000). Also, on the same date, Magic Perfection executed a deed of loan assignment with Mr. Sui pursuant to which Mr. Sui agreed to sell and Magic Perfection has agreed to acquire all Mr. Sui's interest in the indebtedness of TRI at the consideration of USD100,000 (equivalent to approximately HK$780,000). Upon completion, Magic Perfection became the sole legal and beneficial owner of the entire issued share capital of TRI. The date of completion of the acquisition was on 23 May 2014. TRI was mainly holding a prepaid lease payment in Tinian, CNMI, for future development purpose. The acquisition had been accounted for as an acquisition of assets and liabilities.

Acquisition-related costs amounting to HK$50,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Prepaid lease payment (Note 18)	21,342
Accrual and other payable	(20,172)
	1,170
Total consideration satisfied by:	
Cash	1,170

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2014 *(Continued)*

Analysis of net cash outflow and cash equivalents arising on acquisition of assets through acquisition of a subsidiary:

	HK$'000
Cash consideration paid	1,170

For the year ended 31 December 2013

On 13 December 2013, Fair General Limited ("Fair General"), a wholly owned subsidiary of the Company, and Teamedics Enterprise (Holdings) Company Limited ("Teamedics"), which is wholly-owned by an independent third party, Mr. Wong Chi To Alex ("Mr. Wong"), entered into the sale and purchase agreement pursuant to which Mr. Wong agreed to sell and Fair General agreed to purchase 10,000 ordinary shares in the issued share capital of Kenbo Trading Limited ("Kenbo") at the consideration of HK$1, and its indebtedness at the consideration of HK$1,100,000. Upon completion, Fair General became the sole legal and beneficial owner of the entire issued share capital of Kenbo. The date of completion of the purchase of shares was on 13 December 2013. Kenbo was mainly holding an investment property for earning rental income of approximately HK$90,000 per annum. The acquisition had been accounted for as an acquisition of assets and liabilities.

Acquisition-related costs amounting to HK$52,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2013, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income statement.

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2013 *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investment properties *(Note 19)*	3,658
Accrual and other payable	(1,780)
Bank borrowing	(778)
	1,100

Total consideration satisfied by:

Cash	1,100

Analysis of net cash inflow and cash equivalents arising on acquisition of assets through acquisition of a subsidiary:

	HK$'000
Cash consideration paid	1,100

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	23	8
Current assets		
Prepayments, deposits and other receivables	866	382
Amounts due from subsidiaries*	346,971	295,960
Investments held for trading	–	658
Bank balances and cash	954	26,974
	348,791	323,974
Current liabilities		
Accruals and other payables	4,829	2,945
Amounts due to subsidiaries*	16,672	12,606
Borrowings	56,702	7,051
Derivative financial liabilities	3,156	–
	81,359	22,602
Net current assets	267,432	301,372
Total assets less current liabilities	267,455	301,380
Non-current liability		
Bond payables	10,000	10,000
Net assets	257,455	291,380
Capital and reserves		
Share capital	676	676
Reserves *(Note a)*	256,779	290,704
Total equity	257,455	291,380

* Unsecured, interest-free and repayable on demand

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note a: Movements of reserves during the years are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	2,901,300	16,500	3,590	–	(2,627,306)	294,084
Loss for the year	–	–	–	–	(4,730)	(4,730)
Issue of warrants *(Note 32)*	–	–	–	1,350	–	1,350
At 31 December 2013	2,901,300	16,500	3,590	1,350	(2,632,036)	290,704
Loss for the year	–	–	–	–	(33,925)	(33,925)
At 31 December 2014	**2,901,300**	**16,500**	**3,590**	**1,350**	**(2,665,961)**	**256,779**

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2014 and 2013 are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group 2014	Percentage of equity interest attributable to the Group 2013	Proportion of voting power held by the Company 2014	Proportion of voting power held by the Company 2013	Principal activities
Asia Pacific Resort and Entertainment Limited	British Virgin Islands ("BVI")	Ordinary	USD1,000	100%	100%	100%	100%	Project development
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	100%	100%	100%	100%	Investment holdings
Best Core Investment Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Holding of investment properties
Charm State International Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2014 and 2013 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Proportion of voting power held by the Company		Principal activities
				2014	2013	2014	2013	
China Smart Asia Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Investment holdings
Chinese Travel (Holdings) Limited *(Note d)*	BVI	Ordinary	USD1,000	100%	N/A	100%	N/A	Investment holdings
Dragon Billion Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Investment holdings
Ease Power Investment Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration
Easy Champ Corporation Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration
Excel Return Enterprises Limited	BVI	Ordinary	USD1	100%	100%	100%	100%	Trading of securities
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Provision of financing services
First Champion Worldwide Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration
Gain Millennia Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Investment holdings

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2014 and 2013 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Proportion of voting power held by the Company		Principal activities
				2014	2013	2014	2013	
Gold Wide Holdings Limited	Hong Kong	Ordinary	HK$160,000	75%	75%	75%	75%	Investment holdings
Host Luck Limited	Hong Kong	Ordinary	HK$10,000	99.9%	99.9%	99.9%	99.9%	Holding of investment properties
Kenbo Trading Company Limited	Hong Kong	Ordinary	HK$10,000	100%	100%	100%	100%	Holding of investment properties
Luck Bloom International Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration
Marianas Stars Entertainment, Inc. ("MSE") *(Note e)*	CNMI	Common stock	USD10,000	75%	N/A	75%	N/A	Investment holdings
Master Premium Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Investment holdings
Much Million Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Fund investment
Rich Best Asia Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Investment holdings
Richmax Corporation Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration
Right Magic Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Trading of securities

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2014 and 2013 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Proportion of voting power held by the Company		Principal activities
				2014	2013	2014	2013	
Sina Winner Investment Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Trading of securities
Sino Apex International Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Investment holdings
Sun Famous Investment Limited *(note c)*	Hong Kong	Ordinary	HK$1,000	100%	99.9%	100%	99.9%	Holding of investment properties
Sure Venture Investment Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Trading of securities
TRI *(Note b)*	CNMI	Common stock	USD1	100%	N/A	100%	N/A	Investment holdings
Top Galaxy (Asia) Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Office administration
Top Status International Limited	BVI	Ordinary	USD1	100%	100%	100%	100%	Investment holdings
Winner Performance Limited	BVI	Ordinary	USD1,000	100%	100%	100%	100%	Trading of securities
深圳市盛世富強科技有限公司 *(note a)*	PRC	Ordinary	USD5,000,000	100%	100%	100%	100%	Holding of investment properties

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of both years or at any time during both years.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) 深圳市盛世富強科技有限公司 is a wholly foreign owned enterprise.

(b) On 23 May 2014, the Group completed the acquisition of TRI. Details are disclosed in Note 40 to the consolidated financial statements.

(c) The immediately holding company, Best Marvel Investment Limited ("BML") purchased the 1 remaining share from the independent third party for consideration of HK$1 on 1 September 2014. Therefore, the entire issue shares of the subsidiary were held by BML as at 31 December 2014.

(d) Newly incorporated during the year ended 31 December 2014.

(e) MSE is incorporated on 14 January 2014, in which the Group and an independent third party acquired 75% and 25% of its issued share capital respectively at a consideration of approximately HK$59,000 and HK$20,000 on 16 April 2014. MSE was inactive since incorporation and hence the Directors considered that the considerations paid were approximately to their fair value at the acquisition date.

Fortune Lead Holdings Limited ("FLHL") and its wholly-owned subsidiaries, Sure Progress Investment Limited ("SPIL") and 承教投資咨詢(深圳)有限公司 (collectively known as "FLHL Group"), in which the Group acquired 100% of their issued share capital at a consideration of approximately HK$145,000 on 15 August 2014. FLHL Group were inactive since incorporation and hence the Directors considered that the considerations paid were approximately to their fair value at the acquisition date.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. These subsidiaries operate in different countries. The principal activities of these subsidiaries are inactive and summarised as follows:

Principal activity	Principal place of business	Number of subsidiaries	
		2014	2013
Inactive	BVI	**24**	18
	Hong Kong	**5**	–
	PRC	**1**	–
		30	18

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Gold Wide Holding Limited	Hong Kong	**25%**	25%	**2,996**	1,206	**27,533**	24,682
Individually immaterial subsidiaries with non-controlling interests						**(2,278)**	5
						25,255	24,687

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

Gold Wide Holdings Limited

	2014 HK$'000	2013 HK$'000
Current assets	**45**	52
Non-current assets	**168,254**	156,845
Current liabilities	**(196)**	(198)
Equity attributable to owners of the Company	**140,570**	132,017
Non-controlling interests	**27,533**	24,682

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited *(Continued)*

	2014 HK$'000	2013 HK$'000
Revenue	11,988	4,836
Expenses	(4)	(14)
Profit attributable to owners of the Company	8,988	3,616
Profit attributable to non-controlling interests	2,996	1,206
Profit for the year	11,984	4,822
Other comprehensive (expense) income attributable to owners of the Company	(435)	2,384
Other comprehensive (expense) income attributable to non-controlling interests	(145)	795
Other comprehensive (expense) income for the year	(580)	3,179
Total comprehensive income for the year	11,404	8,001

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited *(Continued)*

	2014 HK$'000	2013 HK$'000
Total comprehensive income attributable to owners of the Company	8,553	6,000
Total comprehensive income attributable to non-controlling interests	2,851	2,001
Total comprehensive income for the year	11,404	8,001
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(6)	(3)
Net cash outflow from investing activities	–	–
Net cash outflow from financing activities	–	–
Net cash outflow	(6)	(3)

43. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(i) On 17 July 2014, Chinese Travel (Holdings) Limited ("CTHL"), an indirect wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with a vendor, an independent third party, pursuant to which CTHL agreed to purchase and the vendor agreed to sell 38% of the entire issued share capital of Oriental Tours & Travel Co. Limited at a consideration of HK$380,000. On 8 October 2014, they have entered into a supplemental agreement in which they agreed to postpone the long stop date from 30 September 2014 to 31 December 2014. On 5 January 2015, they have entered into a second supplemental agreement and the long stop date has been further postponed to 31 March 2015.

(ii) On 12 January 2015 and 23 February 2015, the Company and a placing agent entered into an option placing agreement and a supplemental placing agreement respectively, pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, not less than six independent placees to subscribe for up to 135 options at a premium of HK$60,000 per option (the "Placing"). Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,400,000 at the subscription price of HK$1,400,000. Assuming exercise of all the 135 options, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$189,000,000 at the subscription price of HK$189,000,000. The convertible bonds are convertible into 135,000,000 new shares of the Company at the conversion price of HK$1.40 per conversion share.

Details of the Placing are disclosed in the announcements of the Company dated 20 January 2015 and 26 February 2015 respectively.

43. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(iii) On 15 February 2015, Tinian Entertainment Co., Ltd ("TEC"), an indirect wholly-owned subsidiary of the Company which was incorporated on 16 January 2015, and HKE entered into a provisional operating agreement (the "Provisional Operating Agreement"), under which HKE intended to lease to TEC and TEC intended to lease from HKE the property which comprise the Tinian Dynasty Hotel & Casino (the "Hotel-Casino Complex") and other relevant assets (the "Leased Property") for an initial term of 6 years commencing on 30 June 2015 (collectively referred to as the "Lease").

HKE shall irrevocably and unconditionally grant to TEC three options (a) TEC may at its sole and absolute discretion to exercise an option and extend the term for each period of 6 years to extend the term until 10 August 2051 (the "First Option"); (b) TEC may at any juncture during the term exercise an option at nominal consideration of HK$1 to call for HKE's assignment of all HKE's rights, interest and title in and over the Lease and the Lease Property to TEC at such consideration to be agreed by both parties (the "Second Option"); and (c) TEC may at any juncture during the term exercise an option at nominal consideration of HK$1 to purchase all the gaming assets (the "Third Option").

Upon the execution of the Provisional Operating Agreement, TEC had paid to HKE a refundable deposit of HK$50,000,000, which was set-off against part of the prepayment received by HKE as detailed in Note 25(b) to the consolidated financial statements.

Details of the Provisional Operating Agreement are disclosed in the announcement of the Company dated 23 February 2015.

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	
Turnover	**150,483**	94,078	155,335	89,500	68,435
Revenue	**8,430**	10,755	14,616	44,000	36,766
Cost of sales	**(256)**	(226)	(135)	(941)	(4,127)
Gross profit	**8,174**	10,529	14,481	43,059	32,639
Other income and gains	**2,335**	2,281	6,378	3,108	2,203
Distribution and selling expenses	**–**	–	–	–	(23)
Administrative expenses	**(85,975)**	(46,443)	(47,719)	(45,096)	(33,406)
Gain on disposal of an investment property	**–**	–	–	880	14,610
Fair value changes in investment properties	**7,400**	2,700	(107)	5,695	12,840
Gain (loss) arising from fair value changes of investments held for trading	**3,313**	(13,423)	7,255	(100,151)	(137,021)
Gain (loss) on disposals of investments held for trading	**(19,012)**	20,284	85	(23,709)	(18,746)
(Loss) gain on disposal of convertible instruments designated at financial assets at fair value through profit or loss	**–**	–	(18,934)	(1,869)	562

FIVE-YEAR FINANCIAL SUMMARY

RESULTS *(Continued)*

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Gain (loss) arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss	**101,110**	10,020	4,742	5,302	(103,253)
Gain (loss) arising from fair value changes of derivative financial liabilities	**(3,870)**	2,299	(3,217)	–	–
Gain arising from derecognition of derivative financial liabilities	**–**	4,567	–	–	–
Gain on deconsolidation of a subsidiary	**–**	–	–	–	414,302
Impairment loss on interest in associate	**–**	–	(1,475)	–	–
Impairment loss on loan receivables	**(9,268)**	(11,238)	(29,544)	(199,180)	–
Reversal of impairment loss on loan receivables	**25,658**	2,015	–	–	–
Impairment loss on investment deposits paid	**–**	–	–	(26,286)	–
Gain on disposal of subsidiaries	**–**	–	2,749	–	–
Other expenses	**–**	–	–	–	(2,300)
Gain on disposal of available-for-sale financial assets	**1,892**	–	–	–	–
Loss on deemed disposal of partial interest in an associate	**36,862**	(8,453)	–	–	–
Share of profit (loss) of a jointly controlled entity	**16,185**	6,528	12,706	13,614	10,520
Finance costs	**(24,656)**	(1,309)	(2,664)	(224)	–
Profit (loss) before tax	**60,148**	(19,643)	(55,264)	(324,857)	192,927
Income tax credit (expense)	**(3,913)**	(1,561)	646	(9,534)	(12,727)
Profit/(loss) for the year from discontinued operations	**–**	–	464	(214)	–
Profit (loss) for the year	**56,235**	(21,204)	(54,154)	(334,605)	180,200
Attributable to:					
Owners of the Company	**55,542**	(22,415)	(56,512)	(337,115)	178,252
Non-controlling interests	**693**	1,211	2,358	2,510	1,948
	56,235	(21,204)	(54,154)	(334,605)	180,200

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Total non-current assets	**462,677**	453,077	431,826	309,932	286,584
Total current assets	**599,664**	431,819	451,286	587,192	875,315
Total current liabilities	**174,286**	61,733	57,177	29,109	19,282
Total non-current liabilities	**35,788**	32,525	31,536	23,778	8,055
Equity attributable to owners of the Company	**827,012**	765,951	771,718	823,918	1,117,360
Non-controlling interest	**25,255**	24,687	22,681	20,319	17,202

SUMMARY OF INVESTMENT PROPERTIES

Address	Lot number	Tenure	Existing use
Hong Kong			
Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking
PRC			
The Whole of 33rd Floor, Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, The PRC	–	Medium-term lease (A term of 50 years expiring on 25 June 2050)	Commercial office
G17102-16, Shui Tou Sha Village, Nanao Town, Longgang District, Shenzhen City, The PRC	–	Medium-term lease (A term of 50 years expiring on 1 January 2043)	Residential