



CITY E-SOLUTIONS LIMITED
(Stock Code: 557)



ANNUAL REPORT 2014

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MISSION STATEMENT



**To invest in
businesses with
high growth
potential so as
to increase
shareholder value.**

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2014 ("FY2014").

The Group recorded a net loss attributable to the equity shareholders of the Company of HK\$19.0 million in FY2014 as compared with a net profit attributable to the equity shareholders of the Company of HK\$17.2 million in the previous corresponding year, due mainly to a decrease in the net unrealised valuation gain from the Group's securities holding as at 31 December 2014 and an increase in the net unrealised foreign exchange losses as a result of the unfavourable currency movement in the Group's securities and cash portfolio as at 31 December 2014.

The Group's Investment Holding segment reported net realised and unrealised valuation gain of HK\$6.8 million from the Group's securities holding as at 31 December 2014. Net realised and unrealised foreign exchange loss of HK\$11.6 million was also recorded, which mainly arose from the Sterling Pound denominated security holding and cash deposits and Renminbi denominated cash deposits. Overall, the total net realised and unrealised losses of HK\$4.8 million was recorded for FY2014 as compared with the total net realised and unrealised gains of HK\$22.7 million in the previous corresponding year.

During the year under review, the Group reported revenue of HK\$100.1 million, a decrease of HK\$2.7 million or 2.6% from HK\$102.8 million in the previous corresponding year due to lower revenue from the Group's Hospitality segment. The Group's Hospitality segment reported a pre-tax loss of HK\$9.5 million in FY2014, as compared with pre-tax profit of HK\$1.8 million in the previous corresponding year.

The Group's U.S. hotel management arm, Richfield Hospitality, recorded lower management fee income of HK\$21.6 million, down by HK\$11.4 million or 34.5% from HK\$33.0 million in the previous corresponding year. News of the potential sale of the Group to an interested third party from late 2013 to February 2014 caused several adverse

effects, such as the loss of management contracts and the departure of several senior executives. Higher administrative expenses were incurred due to the reorganisation, though a new management team has been put in place and it is anticipated that the new team will perform strongly over time. Consequently, a loss before tax of HK\$17.2 million was incurred for the year under review as compared with a loss of HK\$1.0 million in the previous corresponding year.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of HK\$24.8 million, down by HK\$0.8 million or 2.9% from HK\$25.6 million in the previous corresponding year. The profit contribution was HK\$2.5 million as compared to HK\$3.7 million in the previous corresponding year, mainly due to higher operating expenses incurred by the hotel and higher loan interest expense arising from the re-financing of the hotel property.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading platform for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue amounting to HK\$44.5 million, up by 23.0% from HK\$36.2 million in the previous corresponding year. Consequently, SHR reported a lower operating loss of HK\$1.4 million for FY2014 as compared with operating loss of HK\$3.5 million in the previous corresponding year. SHR also received one-time proceeds of HK\$4.3 million (US\$0.55 million) as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC, the original owner of the Windsurfer CRS.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel, contributed a share of profit of HK\$1.5 million for FY2014 as compared with a share of profit of HK\$2.2 million in the previous corresponding year. The lower share of profit is mainly due to decreased revenue as a result of lower average daily rates achieved by the hotel for FY2014 as compared to the previous corresponding year. The Group also recognised share of profit from

CHAIRMAN'S STATEMENT

its associates, S-R Burlington Partners, LLC, and Cosmic Hospitality China Limited, of HK\$0.9 million for FY2014, as compared to a share of profit of HK\$0.4 million in the previous corresponding year. Basic losses per share for the year under review was HK4.96 cents calculated on the weighted average number of 382,449,524 ordinary shares in issue during the year. The Group's Net Tangible Assets per share decreased to HK\$1.39 as at 31 December 2014, down from HK\$1.43 as at 31 December 2013. The board is not proposing a final dividend for the year under review.

PROSPECTS

The Group remains cautious in the midst of the global uncertainty, though there are signs of improvement in the U.S. real estate and hospitality market.

The Group continues to hold some trading securities while its cash reserves are in a basket of currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value readjustments of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER

The Board is pleased to announce that Mr. Wong Hong Ren will be joining the Company on 2 March 2015 as the next Chief Executive Officer ("CEO") in succession to Mr. Sherman Kwek Eik Tse. Mr. Sherman Kwek will be stepping down as the CEO on 2 March 2015 in order to focus

on his other responsibilities within the City Developments Limited ("CDL") group. CDL is the immediate holding company of the Company. The Board would like to record their appreciation for his dedication and contribution to the Company during his tenure as CEO.

The Board welcomes Mr. Wong Hong Ren, who in his most recent role before joining the Company was the Group CEO of Millennium & Copthorne Hotels plc ("M&C"), listed on the London Stock Exchange. As Group CEO at M&C, Mr. Wong's responsibilities included leading the management team and setting the overall direction of the M&C Group's operational activities and performance. During his tenure as Group CEO of M&C, he was instrumental in developing and executing key elements of M&C's strategy.

Mr. Wong was previously a non-executive director of the Company from October 1994 until April 2009. Since his entry into the Hong Leong Group Singapore in 1988, he has played a key role in the investment and growth of the Hong Leong Group Singapore's hospitality and industrial businesses overseas. With his extensive experience in investment analysis, international capital markets and mergers and acquisitions transactions as well as post-acquisition management re-organisation matters, the Board looks forward to working with Mr. Wong.

On behalf of the Board of Directors, I would like to thank all customers, business partners, shareholders, management and staff for their continued support of the Group.



KWEK LENG BENG

Chairman

13 February 2015

FINANCIAL STATISTICS SUMMARY

Consolidated Statement of Profit or Loss

	The Group				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Continuing operations					
Turnover	100,130	102,838	97,448	75,338	70,091
(Loss)/Profit before taxation	(23,478)	16,304	236	(41,766)	(5,267)
Income tax	4,964	(442)	2,528	1,419	7,302
(Loss)/Profit for continuing operations	(18,514)	15,862	2,764	(40,347)	2,035
Discontinued operations					
Profit from discontinued operations, net of tax	—	—	—	9,002	5,477
(Loss)/Profit for the year	(18,514)	15,862	2,764	(31,345)	7,512
Attributable to:					
Equity shareholders of the Company	(18,978)	17,169	7,064	(31,231)	8,994
Non-controlling interests	464	(1,307)	(4,300)	(114)	(1,482)
(Loss)/Profit for the year	(18,514)	15,862	2,764	(31,345)	7,512
Dividends payable to equity shareholders of the Company attributable to the year:					
Final dividend proposed after balance sheet date	—	—	—	—	—
Earnings per share					
Basic(losses)/earnings per share (HK cents)	(4.96)	4.49	1.85	(8.17)	2.35
Continuing operations					
Basic(losses)/earnings per share (HK cents)	(4.96)	4.49	1.85	(10.52)	0.92

FINANCIAL STATISTICS SUMMARY

Statement of Financial Position

	The Group				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Property, plant and equipment	41,904	41,903	43,602	43,282	1,210
Intangible assets	10,873	13,588	16,289	361	38
Goodwill	8,942	8,937	8,938	1,694	—
Available-for-sale financial assets	33,016	32,996	—	—	—
Long term bank deposits	9,780	9,495	—	—	—
Interest in a joint venture	—	9,340	10,404	12,492	18,723
Interest in associates	8,880	8,673	1,550	—	—
Deferred tax assets	24,632	20,804	23,270	21,927	20,337
Current assets	536,026	535,295	529,506	531,112	595,325
Total assets	674,053	681,031	633,559	610,868	635,633
Current liabilities	(30,893)	(34,334)	(32,799)	(29,138)	(23,386)
Total assets less current liabilities	643,160	646,697	600,760	581,730	612,247
Employee benefits	—	(1,632)	(1,971)	(2,535)	(1,561)
Dividends received in excess of earnings from equity-method accounted joint venture	(17,256)	—	—	—	—
Interest-bearing borrowings	(30,394)	(31,229)	(88)	—	—
Net assets	595,510	613,836	598,701	579,195	610,686
Capital and Reserves					
Share capital	382,450	382,450	382,450	382,450	382,450
Reserves	167,784	186,586	170,138	162,064	193,433
Total equity attributable to equity shareholders of the Company	550,234	569,036	552,588	544,514	575,883
Non-controlling interests	45,276	44,800	46,113	34,681	34,803
Total equity	595,510	613,836	598,701	579,195	610,686

Major Property

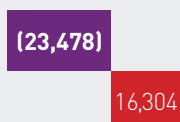
Hotel	Tenure	Site Area (sq. Metres)	Number of Rooms	Effective Group Interest (%)
Sheraton Chapel Hill Hotel 1 Europa Drive Chapel Hill, North Carolina, U.S	Fee Simple	20,072.45	168	43
Crown Plaza Syracuse Hotel 701 East Genessee Street Syracuse, New York, U.S. (Held by a joint venture of the Group)	Fee Simple	4,925.25	279	43

FINANCIAL HIGHLIGHTS

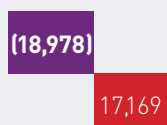
Turnover (HK\$'000)



(Loss)/Profit before taxation (HK\$'000)



(Loss)/Profit attributable to shareholders of the Company (HK\$'000)



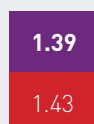
Total share capital and reserves (HK\$'000)



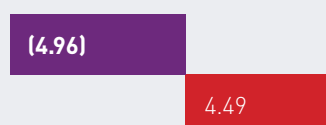
Total assets (HK\$'000)



Net tangible assets per share (HK\$)



Basic (Losses)/Earnings per share (HK cents)



2014
2013



CORPORATE INFORMATION

Executive Directors

Kwek Leng Beng
(Chairman and Managing Director)
Kwek Leng Joo
Gan Khai Choon
Lawrence Yip Wai Lam

Non-Executive Directors

Chan Bernard Charnwut
Ronald Nathaniel Issen
(Deputy Chairman)

Independent Non-Executive Directors

Dr. Lo Ka Shui
Lee Jackson @ Li Chik Sin
Teoh Teik Kee

Audit Committee

Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Chan Bernard Charnwut

Remuneration Committee

Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Gan Khai Choon

Nomination Committee

Dr. Lo Ka Shui
Teoh Teik Kee
Lee Jackson @ Li Chik Sin
Chan Bernard Charnwut
Gan Khai Choon

Chief Executive Officer

Sherman Kwek Eik Tse
(Resigned on 2 March 2015)
Wong Hong Ren
(Appointed on 2 March 2015)

Company Secretary

Wan Ho Yan
(Resigned on 13 February 2015)
Leung Wing Han Sharon
(Appointed on 13 February 2015)

Auditors

KPMG LLP
Public Accountants and Chartered
Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Principal Banker

The Hongkong & Shanghai
Banking Corporation Limited

Registrars

Principal Registrar
Computershare Hong Kong
Investor Services Limited

Branch Registrar

Maples and Calder,
Cayman Islands

Principal Office

2803, 28th Floor
Great Eagle Centre
23 Harbour Road Wanchai
Hong Kong

Registered Office

C/o Maples and Calder
P.O. Box 309, Grand Cayman
Cayman Islands
British West Indies

Legal Advisors

Hong Kong
Iu, Lai & Li Solicitors & Notaries

Cayman Islands

Maples and Calder,
Attorneys-at-Law

PRODUCTS AND SERVICES



Maingate Lakeside
Resort, Kissimmee,
FL, USA

SWAN Holdings Limited Group (“SWAN”)

SWAN, a subsidiary of the Company, provides integrated solutions to the hospitality industry. SWAN can help hoteliers manage their properties in a more effective, competitive and cost efficient manner. The SWAN team offers a host of value-added services and expertise in all facets of hotel operation through its four business divisions: Richfield, Sceptre, Shield and Source.

Richfield Hospitality Services (Hotel Management)

Richfield is an established and highly reputable hotel management company. With strong industry relations and global experience, Richfield is authorised to operate hotels under leading brand affiliations as well as to provide hotel operations and marketing for independently branded properties. For over three decades, Richfield has successfully managed and skillfully developed hotel assets across all markets, categories and consumer segments while specializing in operating premier resorts, full service hotels and limited service properties. As of 31 December 2014, Richfield managed over 3,000 rooms in the form of operational management contracts, asset management, ownership and/or shared investment, with franchise licenses from leading hotel companies including Hilton, Starwood, InterContinental, Marriott, Hyatt and Choice International. Richfield also operates several independent (non-brand affiliated) properties.

Every client’s property benefits from the vast experience and industry expertise of Richfield’s senior management. Each assignment begins by determining the needs of the owner. Richfield reviews the property’s prior performance, identifies opportunities and assesses challenges. Richfield then tailors the appropriate solution to deliver immediate and visible improvement in the performance of the property.

With Richfield resources, processes, systems, and technologies, the results consistently exceed clients’ expectations, generating increased profitability to the owner and an upgraded and enhanced experience for each guest. For the past 30 years, Richfield has revitalised over 250 properties, ranging from independent, boutique hotels to large, city centre properties and under virtually every industry brand. Richfield achieves superior operating results through intense focus on ensuring a return on investment for all stakeholders. This is accomplished through its strong commitment to guests, employees and owners.

Services offered by Richfield cover all aspects of hotel management including:

- Annual Business Planning
- Operations Improvement
- Sales & Marketing Consultancy
- Revenue and Channel Management
- Management of Franchise Affiliation
- Human Resources Management
- Accounting and Budgeting
- Asset Management Services

PRODUCTS AND SERVICES

Consistent efforts to grow client relationships and maximise the profitability of the hotels have culminated in the successful positioning of Richfield as a fundamental component of SWAN.

Sceptre Hospitality Resources (Reservation Distribution)

Sceptre Hospitality Resources (SHR) is a hospitality industry-leading expert for reservations connectivity, online channel marketing and revenue/channel-management services. By increasing exposure of its client hotels throughout the various electronic channels such as the global distribution systems (GDS), the Internet and property direct sources, SHR helps hotels to increase revenues from a property's preferred channels. SHR's electronic distribution platform provides hotels with best-of-breed, responsive booking engines, direct connections to major Online Travel Agencies (OTAs) and additional distribution to multiple secondary third-party channels around the world. SHR's brand promise is nimble technology, intelligent service, and hospitality expertise.

At SHR, we distinguish ourselves from our competitors by providing:

- **Hospitality Experts.** Our staff of professionals has an extensive industry background and can fully appreciate the needs of clients.
- **Customer Service.** We provide focused support of each client to ensure maximum production from the various channels.
- **Affordable Pricing.** With transaction-fixed pricing, the client will enjoy low costs without compromising support.
- **Flexibility.** Our platform and front-end user interfaces can be adapted and customised to serve even the most complex operations.
- **Personalized Attention.** Each client is assigned a Client Experience Manager, who works closely with clients to ensure the functionality of the system is maximised for each particular client.

For over twenty years, SHR continues to exceed clients' expectation. The current list of services includes four segments, each focused on maximising revenues for hotels:

- 1. WindsurferCRS:** Reservations technology and connectivity, booking engine and ability to interface with other hotel systems, like Property Management Systems, Revenue Management Systems, and Client Relationship Management Systems.
- 2. Revenue Management:** Revenue management for hire (RMH) to provide clients with access to revenue management experts dedicated to a particular group of properties. The SHR revenue managers operate in close coordination with the client to set channel and rate strategies and to monitor the different tactics put in place to achieve the client hotel's revenue management goals.
- 3. Whiteboard Labs:** Custom application development, website design and development and mobile application/site design.
- 4. SpaLinX:** Spa management system and internet booking engine.

SHR's expert assistance can greatly enhance its clients' abilities to achieve significant increases in reservations derived through the various electronic distribution channels.

Shield (Risk Management)

Shield provides risk management services to hotels. Recognising the unique risk profile of the hotel industry, Shield advises hotel management teams on how to lower its overall cost of insurance through pro-active programs to mitigate risks at their hotels.

Source (Purchasing and Procurement)

Source delivers purchasing and procurement services to hotels with a focus on delivering lower operating expenses to hotels. Source offers hoteliers significant cost savings through its extensive number of national account agreements which are organised to support specific areas of need such as Food and Beverage, Rooms Operations, Engineering and Energy, Administrative, Furnishings, and Fixtures and Equipment.

FINANCIAL REVIEW



DoubleTree by Hilton
Burlington, South
Burlington, VT, USA

Group Performance

The Group recorded revenue of HK\$100.1 million in the financial year ended 31 December 2014 ("FY2014"), a decrease of HK\$2.7 million or 2.6% from HK\$102.8 million in the previous corresponding year ("FY2013"). For the year under review, the Group reported a net loss attributable to the equity shareholders of the Company of HK\$19.0 million as compared with a net profit attributable to equity shareholders of the Company of HK\$17.2 million in FY2013, due mainly to a decrease in the net unrealised valuation gain from the Group's securities holding as at 31 December 2014 and an increase in the net unrealised foreign exchange losses as a result of the unfavourable currency movement in the Group's securities and cash portfolio as at 31 December 2014.

The analysis of the Group's revenue and profit and loss from operations by business segments are set out in the notes to the financial statements.

Investment Holding

The Group's performance for FY2014 was negatively impacted by the net realised and unrealised foreign exchange loss of HK\$11.6 million, which arose mainly from the Sterling Pound denominated trading security and cash deposits and Renminbi denominated cash deposits. The foreign exchange loss was partially offset by the net realised and unrealised valuation gain of HK\$6.8 million

from the Group's securities holding as at 31 December 2014, resulting in total net realised and unrealised losses of HK\$4.8 million in FY2014 as compared with total net realised and unrealised gains of HK\$22.7 million in FY2013.

Higher dividend and interest income of HK\$5.6 million was recorded in FY2014, as compared with HK\$3.8 million in FY2013.

Overall, the Investment Holding segment recorded a pre-tax loss of HK\$14.0 million for FY2014 as compared with pre-tax profit of HK\$14.5 million in FY2013.

Hospitality

The Group's Hospitality segment reported revenue of HK\$94.5 million in FY2014, a decrease of HK\$4.5 million or 4.5% from HK\$99.0 million in FY2013.

Richfield Hospitality, Inc ("RHI"), the Group's hotel management arm recorded lower management fee income of HK\$21.6 million, down by HK\$11.4 million or 34.5% from HK\$33.0 million in FY2013. News of the potential sale of the Group to an interested third party from late 2013 to February 2014 caused several adverse effects, such as the loss of management contracts and the departure of several senior executives. Higher administrative expenses were incurred due to the reorganisation, though a new management team has been put in place and it is anticipated that the new team will perform strongly over time. Consequently, a loss

FINANCIAL REVIEW

before tax of HK\$17.2 million was incurred for FY2014 as compared with a loss of HK\$1.0 million in FY2013.

The Group's 51% equity interest in Sceptre Hospitality Resources ("SHR"), the hospitality industry's leading platform for reservations connectivity, online channel marketing and revenue/channel-management services, recorded improvement in revenue to HK\$44.5 million, up by 23.0% from HK\$36.2 million in the previous corresponding year. Consequently, SHR reported a lower operating loss of HK\$1.4 million for FY2014 as compared with operating loss of HK\$3.5 million in FY2013. In addition, SHR received one-time proceeds of HK\$4.3 million (US\$0.55 million) as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC, the original owner of the Windsurfer CRS.

The profit contribution from the Group's jointly-operated Sheraton Chapel Hill Hotel, North Carolina, U.S was HK\$2.5 million as compared to HK\$3.7 million in FY2013, mainly due to higher operating expenses incurred by the hotel and higher loan interest expense arising from the re-financing of the hotel property.

The Group's jointly-controlled entity, Richfield Syracuse Hotel Partners, LLC, which owns the Crowne Plaza Syracuse Hotel, contributed a share of profit of HK\$1.5 million for FY2014 as compared with a share of profit of HK\$2.2 million

in FY2013 mainly due to decreased revenue for FY2014 as compared to FY2013.

The Group also recognised share of profit from its associates, S-R Burlington Partners, LLC, and Cosmic Hospitality China Limited, of HK\$0.9 million for FY2014, as compared to a share of profit of HK\$0.4 million in FY2013.

Overall, the Hospitality segment reported a pre-tax loss of HK\$9.5 million in FY2014 as compared with a pre-tax profit of HK\$1.8 million in FY2013 due mainly to loss from RHI as discussed above.

Financial Position

As at 31 December 2014, the Group's total assets stood at HK\$674.1 million, decreased from HK\$681.0 million as at 31 December 2013. The Group's net tangible asset per share decreased to HK\$1.39 as at 31 December 2014, down from HK\$1.43 as at 31 December 2013.

The Group reports its results in Hong Kong Dollar and it is the objective of the Group to preserve its value in terms of Hong Kong Dollar. It is the Group's policy to continue to seek new investment opportunities that would enhance the Group's long-term value and bring reasonable returns to the shareholders with a cautious attitude.

Cash Flow and Borrowings

For the year under review, cash used in operations amounted to HK\$20.3 million. The Group received cash dividend from trading securities



The Kahler Grand Hotel,
Rochester, MN, USA

FINANCIAL REVIEW

of HK\$3.4 million and interest income of HK\$2.2 million during the year. After refund for overseas tax of HK\$0.3 million, net cash used in operating activities amounted to HK\$14.4 million. Cash received upon maturity of bank deposits during the year amounting to HK\$17.7 million was used for financing the operating activities. In addition, the Group received dividends of HK\$28.1 million from the Group's jointly controlled entity, Richfield Syracuse Hotel Partners, LLC. The total bank interest paid in FY2014 amounted to HK\$1.5 million.

Overall, HK\$30.9 million net cash was generated which, together with exchange translation loss of HK\$6.7 million, resulted in a total Group's cash and cash equivalents of HK\$370.9 million as at 31 December 2014, up from HK\$346.7 million as at 31 December 2013.

Taking into account of the Group's bank borrowings of HK\$31.4 million as at 31 December 2014, the Group was in a net cash position amounting to HK\$339.5 million as at 31 December 2014. Hence, the Group's gearing is zero, which is expressed as a percentage of current and non-current loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

As at 31 December 2014, the Group's bank borrowings, denominated in U.S. Dollars and fixed at 4.21% per annum, amounted to HK\$31.4 million (2013: HK\$32.1 million), of which HK\$1.0 million was current, as included in the portion of interest-bearing borrowing repayable within a period of one year, and HK\$30.4 million was non-current and repayable between 1 and 9 years. The bank loans of the Group are secured over the freehold land and building with a carrying amount of HK\$38.3 million, pledge of monies held in specific accounts of HK\$2.0 million and a non-recourse carveout guarantee by RHI. In addition, as at 31 December 2014, the Group had fully complied with certain financial covenants agreed with the financial institutions.

Treasury Activities

Majority of the Group's cash is held in Chinese

Renminbi, United States Dollar and Sterling Pound cash deposits. It is the Group's view to maximise returns to shareholders and hence a portion of its portfolio is held in various currencies. We will closely monitor the Group's exposure to currency movement and take the appropriate action when necessary.

Directors and Employees

As at 31 December 2014, the Group had a total of 71 employees, including Directors but excluding employees from the Hotel, down from 76 as at 31 December 2013. There were 48 (2013: 43) full-time employees from the Hotel as at 31 December 2014.

The total Group's staff costs comprising salaries, wages and other benefits was HK\$67.2 million as compared with HK\$65.1 million in FY2013. The increase in payroll costs can be attributed mainly to the Hospitality segment.

The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.



Rochester Marriott Mayo Clinic Area,
Rochester, MN, USA

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(a) Corporate governance practices

The Directors and management are committed to maintaining high standards of corporate governance, in line with the principles stated in the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). As good corporate governance, it is the intention of the Company to publish the Group's financial results quarterly.

A "*Continuous Disclosure Obligation Procedures*" (the "Procedures") dealing with the Company's obligations for continuous disclosure under the Listing Rules was adopted by the Company and an executive Director, Mr. Lawrence Yip Wai Lam ("Mr. Yip"), had been appointed as the Designated Director to be responsible for the Procedures. In his role as Designated Director, Mr. Yip will consult with the Chairman of the Board, the Chief Executive Officer and members of the executive management team, including the Company's legal advisors, regarding the Company's discharge of its continuous disclosure obligations.

In the opinion of the Directors, save as disclosed below, the Company has complied with CG Code throughout the year under review.

Under the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 17 April 2014 ("2014 AGM"), our Chairman was unable to attend the meeting as he had to attend to other commitments. He appointed Mr. Gan Khai Choon to chair the 2014 AGM on his behalf. Further Mr. Chan Bernard Charnwut, a non-executive Director and member of the Audit Committee and Nomination Committee; and Mr. Teoh Teik Kee, an independent non-executive Director and chairman of the Audit Committee and Remuneration Committee, and member of the Nomination Committee, were invited to attend the 2014 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in the CG Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The other 2 independent non-executive Directors and 1 non-executive Director of the Company were unable to attend the 2014 AGM. Under the CG Code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. It is the normal practice of the Company not to issue formal letters of appointment to Directors as the Company considers that all the Directors fully understand their responsibilities and delegation arrangement in place.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

(b) Directors' securities transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules ("Model Code") as the Company's code of conduct regarding directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the year under review.

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(c) Board of Directors

The Board currently comprises 9 Directors, of which 4 are executive Directors, 2 are non-executive Directors and 3 are independent non-executive Directors. The members of the Board are as follows:

Executive Directors

Mr. Kwek Leng Beng (Chairman and Managing Director)

Mr. Kwek Leng Joo

Mr. Gan Khai Choon

Mr. Lawrence Yip Wai Lam

Non-executive Directors

Mr. Chan Bernard Charnwut

Mr. Ronald Nathaniel Issen (Deputy Chairman)

Independent non-executive Directors

Dr. Lo Ka Shui

Mr. Lee Jackson @ Li Chik Sin

Mr. Teoh Teik Kee

The biographical details of the Directors and Senior Management are set out in the Profile on Directors and Senior Management section of the Directors' Report.

The relationship between the Directors, Chairman and the Chief Executive Officer is indicated in the respective Profile on Directors and Senior Management.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of Senior Management. These functions are either carried out directly by the Board or through committees established by the Board. The Management is responsible for the day-to-day management and operations of the Company's business including the implementation of internal control, business strategies and plans approved by the Board.

A "**Schedule of Matters Reserved for Decision by Board**" (the "Schedule") has been adopted by the Company. The Board shall review the items in the Schedule on a periodic basis to ensure that they remain appropriate to the needs of the Group. The Directors, individually or as a group, are entitled to take independent professional advice, at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant it. A "**Guidelines for Seeking Independent Professional Advice**" has been adopted by the Board.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board, Audit Committee, Remuneration Committee and Nomination Committee meetings in 2014, as well as the frequency of such meetings, is set out below:

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(c) Board of Directors (cont'd)

Name of Directors	Board	Attendance/Number of Meetings		
		Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Directors</i>				
Mr. Kwek Leng Beng	5/5			
Mr. Kwek Leng Joo	5/5			
Mr. Gan Khai Choon	4/5		1/1	1/1
Mr. Lawrence Yip Wai Lam	5/5			
<i>Non-executive Directors</i>				
Mr. Chan Bernard Charnwut	4/5	4/4		1/1
Mr. Ronald Nathaniel Issen	5/5			
<i>Independent non-executive Directors</i>				
Dr. Lo Ka Shui	4/5			1/1
Mr. Lee Jackson @ Li Chik Sin	5/5	4/4	1/1	1/1
Mr. Teoh Teik Kee	5/5	4/4	1/1	1/1

(d) Directors' Training and Professional Development

All Directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training for its Directors. The training records for the year had been provided to the Company Secretary by all Directors of the Company.

On appointment to the Board, the newly appointed Director was provided a comprehensive induction package covering business operations and obligations of being a director to ensure that the Director would be sufficiently aware of the responsibilities under the Listing Rules and other relevant regulatory requirements.

All the Directors of the Company were provided with monthly commentary on the Group's business, operations, and financial matters.

From time to time, the Company Secretary updates and provides written materials to the Directors on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code.

(e) Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Kwek Leng Beng while the Chief Executive Officer ("CEO") is Mr. Sherman Kwek Eik Tse. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company's business, including management of the Company's day-to-day operations and implementation of key policies, procedures and business strategies approved by the Board.

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(f) Non-executive Directors

The non-executive Directors and independent non-executive Directors were appointed for a specific term of 3 years, subject to retirement by rotation at annual general meeting and being eligible to offer themselves for re-election.

(g) Remuneration Committee ("RC")

The RC was established in May 2005 and comprises 2 independent non-executive Directors and 1 executive Director. The members of the RC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Gan Khai Choon	Member (Executive)

The primary objective of the RC is to consider management recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the CEO. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

- (a) To review and approve Management's remuneration proposal and the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and
- (b) To consider Management's recommendation on the payment of annual and/or variable performance bonus to employees of the Company, and review and approve the annual and/or variable performance bonus payable to the executive Directors and Senior Management, having regard to their achievements against the performance criteria and by reference to market norms.

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share option grants), taking into account other factors, the individual performance, the performance of the Company and industry practices.

The RC met once during the year under review to discuss remuneration related matters (including the remuneration of Directors and Senior Management) and review the remuneration policy of the Group. It has been decided that RC would determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(h) Nomination Committee (“NC”)

The NC was established in August 2005 and comprises 3 independent non-executive Directors, 1 non-executive Director and 1 executive Director. The members of the NC are as follows:

Dr. Lo Ka Shui	Chairman (Independent non-executive)
Mr. Teoh Teik Kee	Member (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Chan Bernard Charnwut	Member (Non-executive)
Mr. Gan Khai Choon	Member (Executive)

The revised Terms of Reference of NC was adopted on 1 September 2013 to take into consideration of the newly adopted Board Diversity Policy. The principal responsibilities of NC are to review regularly the Board composition, to identify and nominate suitable candidates as Board members, to assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman of the Board and the CEO.

The Company has adopted a **“Board Diversity Policy”** on 1 September 2013 which sets out the Company’s approach and the basic principles to be followed in order to achieve diversity on the Company’s Board of Directors. The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. The range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors based on the specific needs of the Company. The Company agrees with the general philosophy of diversity for the Board, and will pursue this philosophy whenever the opportunity arises, and when it is appropriate.

During the year under review, the NC met once to assess the independence of independent non-executive Directors and the balance and composition of the Board and Board committee. The NC also reviewed and recommended the re-election of the retiring Directors at the 2014 AGM and assessed the independence of Mr. Jackson Lee who has served as an independent non-executive Director of the Company for more than nine years.

(i) Audit Committee (“AC”)

The Company has an AC which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The AC comprises 2 independent non-executive Directors and 1 non-executive Director of the Company. The members of the AC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent non-executive)
Mr. Chan Bernard Charnwut	Member (Non-executive)

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company’s financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(i) Audit Committee (“AC”) (cont’d)

- (a) To monitor the integrity of the half-year, quarterly or other periodic and annual financial statements and review them before submission to the Board for approval for publication;
- (b) To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness; and
- (d) To review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year under review, the AC held 4 meetings in February 2014, May 2014, August 2014 and November 2014. In the meeting held in February 2014, the Annual Report and Audited Financial Statements for the year ended 31 December 2013 were reviewed together with the external auditors. In the May 2014 meeting, the Unaudited Financial Results for the 3 months ended 31 March 2014 were reviewed. In the August 2014 meeting, the Interim Financial Report for the 6 months ended 30 June 2014 was reviewed. In the November 2014 meeting, the Unaudited Financial Results for the 9 months ended 30 September 2014 were reviewed. The adequacy of internal control was also scheduled to be discussed in these meetings. The AC concluded that there were no major issues which the AC considered that the Board should be informed after the AC meetings.

(j) Corporate governance functions

The Board is responsible for the corporate governance functions, which include the following duties:

- (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 applicable to employees and Directors; and
- (e) To review the Company’s compliance with the code and disclosure in the Corporate Governance Report.

The Board has discharged the above functions during the year.

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(k) Auditors' remuneration

The Group's external auditors are KPMG LLP, Singapore ("KPMG"). During the year under review, the Group has engaged KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) to provide the following services and their respective fees charged are set out as below:

Type of services	Fees charged	
	2014 HK\$'000	2013 HK\$'000
Audit fee for the Group	3,679	3,719
Taxation services	1,188	106
Non-audit services:		
- review of continuing connected transactions	55	57
- review of half-year financial statements	601	527
- review of the compilation of financial information	116	281
Total	5,639	4,690

(l) Accountability

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(m) Internal control

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. During the year under review, the Board has through the AC reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions.

Internal Audit was carried out on a systematic rotational basis based on the risk assessments of the operation and controls, and reports were presented to the AC at least twice every year on significant findings on internal control system.

(n) Company Secretary

Ms. Leung Wing Han Sharon ("Ms. Leung") was appointed as the Company Secretary of the Company with effect from 13 February 2015 in place of Mr. Wan Ho Yan ("Mr. Wan"), who has tendered his resignation as the Company Secretary of the Company with effect from the same date.

Ms. Leung is a vice president of SW Corporate Services Group Limited and her primary contact person at the Company is Mr. Lawrence Yip Wai Lam, an executive Director of the Company.

Mr. Wan confirmed that he has taken no less than 15 hours of relevant professional training during the year under review.

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2014

(o) Shareholders' rights

In accordance with Article 72 of the Company's Articles of Association, general meetings may be convened on the written requisition of any two members of the Company deposited at the registered office specifying the objects of the meeting and signed by the requisitionists and such meeting shall be held two (2) months after the deposit of such requisition, and if the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

A Shareholder Communication Policy was adopted by the Board in May 2012 to maintain an on-going dialogue with Shareholders and the investment community, and the Board will review this Policy from time to time to ensure its effectiveness, and compliance with the Company's objectives and responsibilities. Shareholders should direct their questions about their shareholdings to the Company's Registrar and may at any time make enquiry to the Board or make request for the Company's information to the extent such information is publicly available at the Company's principal office and/or branch office in Hong Kong.

If a shareholder wishes to nominate a person to stand for election as a Director at a general meeting, the relevant documents must be validly served on the principal office of the Company within the requisite period of time. The full details of the procedures for shareholders to propose a person for election as a director were posted on the website of The Stock Exchange of Hong Kong Limited and the Company's third-party hosted website at <http://www.merrillfn.com/ir/ces/>.

(p) Investor relations

There is no change to the Company's constitutional documents during the year under review.

DIRECTORS' REPORT

for the year ended 31 December 2014

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

City e-Solutions Limited (the "Company") is a company incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and principal place of business at Room 2803, 28th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 11 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 34 to 99.

TRANSFER TO RESERVES

Loss attributable to shareholders, before dividends, of HK\$18,978,000 (2013: profit attributable to shareholders, before dividends, of HK\$17,169,000) has been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity.

The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: nil). No interim dividend was paid for the year ended 31 December 2014 (2013: nil).

CHARITABLE DONATIONS

During the year, no charitable donations (2013: charitable donations of HK\$8,000) were made by the Group.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 12 to the financial statements.

SHARE CAPITAL

The Company did not issue any shares during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2014

SHARE OPTION

The Company has a share option scheme (the "2005 Scheme") which was adopted on 27 April 2005 ("Adoption Date") whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the Shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the Shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. The Executive Share Option Scheme (the "1997 Scheme") adopted by the Company on 11 June 1997 was terminated upon the 2005 Scheme becoming effective. The 2005 Scheme shall be valid and effective for a period of ten years ending on 26 April 2015, after which no further options will be granted.

Throughout the financial year, no share option was granted and outstanding.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the turnover attributable to the Group's five largest customers combined was 24% (2013: 30%) of the Group's turnover and the largest customer, included therein accounted for approximately 7% (2013: 16%). The percentage of purchases attributable to the Group's five largest suppliers combined was about 47% (2013: 48%) and the largest supplier included therein accounted for approximately 20% (2013: 15%).

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS

The Directors of the Company during the financial year were as follows:

Executive Directors

Mr. Kwek Leng Beng (Chairman and Managing Director)
Mr. Kwek Leng Joo
Mr. Gan Khai Choon
Mr. Lawrence Yip Wai Lam

Non-executive Directors

Mr. Chan Bernard Charnwut
Mr. Ronald Nathaniel Issen (Deputy Chairman)

Independent non-executive Directors

Dr. Lo Ka Shui
Mr. Lee Jackson @ Li Chik Sin
Mr. Teoh Teik Kee

DIRECTORS' REPORT

for the year ended 31 December 2014

DIRECTORS (cont'd)

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Kwek Leng Beng, *aged 74*
Chairman and Managing Director

Mr. Kwek Leng Beng has been the Chairman and Managing Director of the Company since 1989.

He is the executive Chairman of City Developments Limited. He is also the Chairman and Managing Director of Hong Leong Finance Limited. He is the Chairman of Millennium & Copthorne Hotels plc, Hong Leong Asia Ltd, and Hong Leong Investment Holdings Pte. Ltd.

Mr. Kwek has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as Hong Leong Finance Limited). He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr. Kwek's achievements have also captured the attention of the academic institutions. He was conferred Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, U.S.), where students have an opportunity to pursue career education in business, hospitality, culinary arts or technology; and Honorary Doctorate from Oxford Brookes University (UK) whose citation traced how Mr. Kwek, who joined the family business in the early 1960s, had gone on to establish an international reputation for his leadership of the Hong Leong Group, as well as an active supporter of higher education in Singapore.

At the Securities Investors Association Singapore (SIAS) Investors' Choice Awards in October 2012, Mr. Kwek (as Executive Chairman of City Developments Limited), together with Mr. Kwek Leng Joo (now Deputy Chairman of City Developments Limited), emerged joint winners as "Partners in the Office of the CEO" in the Brendan Wood International – SIAS TopGun CEO Designation Award. This Award is accorded to CEOs who are best in class rated by shareholders.

Mr. Kwek also serves as a member of the INSEAD East Asia Council. France-based INSEAD is one of the world's leading and largest graduate business schools which brings together people, cultures and ideas from around the world. He is also a Fellow of the Singapore Institute of Directors.

In February 2014, Mr Kwek was presented with the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award which was introduced to honour a pioneering group of real estate industry leaders in Singapore.

In February 2015, Mr Kwek was presented the Singapore Chinese Chamber of Commerce & Industry (SCCCI) SG50 Outstanding Chinese Business Pioneers Award. The award honours Singapore's outstanding Chinese business pioneers and their exemplary contributions to nation-building.

Mr. Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators.

Mr. Kwek Leng Beng is the brother of Mr. Kwek Leng Joo, brother-in-law of Mr. Gan Khai Choon, and father of Mr. Sherman Kwek Eik Tse.

DIRECTORS' REPORT

for the year ended 31 December 2014

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Mr. Ronald Nathaniel Issen, *aged 52*

Non-executive Director/ Deputy Chairman

Mr. Ronald Nathaniel Issen was appointed non-executive Director on 14 May 2013 and appointed as the Deputy Chairman of the Company on 9 October 2013. He holds a MBA from Stanford University's Graduate School of Business and a BA from Williams College.

Mr. Issen serves, inter alia, as a non-independent and non-executive Director of M&C REIT Management Limited and M&C Business Trust Management Limited, as non-executive Chairman, Asia, for Hailo Network Holdings Limited, is a non-executive Director of Capella Hotel Group Asia Pte. Ltd. and acts as Managing Director of Issen & Company. He is a past Senior Advisor based in Hong Kong for Apollo Global Management LLC, and previously served on the board of MIDAN City Development Co. Ltd (formerly Lippo Incheon Development Co. Ltd.) in Korea, as well as on the board for SGX-ST listed Food Junction Holdings Ltd. Prior, Mr. Issen was on the Executive Management Committee of Hong Kong's HKSE listed eSun Holdings Limited (part of Hong Kong's Lai Sun Group) and earlier spent more than 10 years as a senior banking executive with then-Credit Agricole Indosuez in Europe and Asia. He has also held positions, among others, with Smith Barney (later acquired by Citigroup) and with the Boston Consulting Group. Additionally, he serves as Chapter Head/President and member of the Board of Directors of the Stanford GSB Chapter of Hong Kong Limited.

Mr. Kwek Leng Joo, *aged 61*

Executive Director

Mr. Kwek Leng Joo was appointed an Executive Director of the Company in 1989.

Appointed as a Director of City Developments Limited (CDL) on 8 February 1980, Mr. Kwek assumed the position of Deputy Managing Director in 1987 and held the role of CDL's Managing Director from January 1995 until his appointment as Deputy Chairman of CDL on 17 February 2014. He is also the chairman of Corporate Social Responsibility & Corporate Governance (CSR & CG) Committee of CDL. He is a non-executive Director of Hong Leong Finance Limited.

Mr. Kwek holds a Diploma in Financial Management and has extensive experience in property development and investment. Within the Hong Leong Group, he holds directorships in a number of its listed companies, including Hong Leong Finance Limited. Mr. Kwek contributes actively to the business and civic communities through many public appointments. He has served as the President of the Singapore Chinese Chamber of Commerce and Industry (SCCCI) from 1993-1997 and 2001-2005 and is currently the Honorary President of SCCCI. He is the Chairman of the Board of Trustees of National Youth Achievement Award Council and co-Chairman of the International Panel of Experts on Construction Productivity & Prefabrication Technology, Trustee of The Duke of Edinburgh's International Award Foundation and member of the Board of Trustees of Nanyang Technological University. He is also a member of the National Climate Change Network, Marina Bay Public Art Advisory Panel and National Productivity and Continued Education Council as well as an Honorary Fellow of the Society of Project Managers. He was also appointed a Justice of the Peace by the President of the Republic of Singapore in 2013.

To raise the importance of CSR in the business community in Singapore, Mr. Kwek was elected the President of Singapore Compact for CSR, which is the national CSR society and country focal point for the United Nations (UN) Global Compact in Singapore.

Mr. Kwek Leng Joo is the brother of Mr. Kwek Leng Beng, brother-in-law of Mr. Gan Khai Choon and uncle of Mr. Sherman Kwek Eik Tse.

DIRECTORS' REPORT

for the year ended 31 December 2014

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Mr. Gan Khai Choon, aged 68
Executive Director

Mr. Gan Khai Choon was appointed as an executive Director of the Company in 1989. On 22 April 2009, he was appointed as a member of the Remuneration Committee and Nomination Committee of the Company. He is also Managing Director of Hong Leong International (Hong Kong) Limited. Apart from being an executive Director of the Company, Mr. Gan also holds a number of directorships in other members of the Group. He is also a Director of China Yuchai International Limited. He is also an independent non-executive Director of Safety Godown Company Limited and Chairman of its Audit Committee. Mr. Gan was appointed Chairman of HL Global Enterprises Limited in September 2007. He has more than 40 years of experience in banking, real estate investment and development. He has been responsible for overseeing the development of the Grand Hyatt Taipei and other international projects for the Hong Leong Group of companies. Mr. Gan has a Bachelor of Arts degree (Honours) in Economics from the University of Malaya.

Mr. Gan Khai Choon is the brother-in-law of Messrs. Kwek Leng Beng and Kwek Leng Joo and uncle of Mr. Sherman Kwek Eik Tse.

Mr. Lawrence Yip Wai Lam, aged 59
Executive Director

Mr. Lawrence Yip was appointed an executive Director of the Company in December 1998. Apart from being an executive Director of the Company, Mr. Yip also holds a number of directorships in other members of the Group. Mr. Yip is also a Director of eMpire Investments Limited. He was formerly the General Manager (Finance & Administration) of the Company. He has over 10 years of experience in the Treasury Division of several banks. Prior to joining the Group in April 1990, Mr. Yip held the position of Regional Treasurer with a bank in Singapore.

Mr. Chan Bernard Charnwut, aged 50
Non-executive Director

Mr. Chan Bernard Charnwut has been a Director of the Company since 1989 and was appointed a member of the Audit Committee on 18 January 2000. Previously an independent non-executive Director of the Company, he was re-designated as a non-executive Director of the Company with effect from 30 September 2004. In 2005, he was appointed a member of the Nomination Committee of the Company. Mr. Chan is a Deputy to the National People's Congress and a former member of both Hong Kong's Executive and Legislative Councils. He sits on a number of bodies, including as the Chairman of the Council for Sustainable Development, the Advisory Committee on Revitalisation of Historic Buildings, the Hong Kong-Thailand Business Council and the Chairperson of the Hong Kong Council of Social Service. He is also an Advisor to Bangkok Bank Public Company Limited, Hong Kong Branch. He was a non-executive Director of New Heritage Holdings Limited from 14 November 2005 to 5 June 2014. Mr. Chan was re-appointed as a member of the Executive Council of Hong Kong SAR in 2012.

A graduate of Pomona College in California, he is the President of Asia Insurance Co Ltd. Mr. Chan is also an executive Director and the President of Asia Financial Holdings Limited and an independent non-executive Director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited and China Resources Enterprise Ltd.

DIRECTORS' REPORT

for the year ended 31 December 2014

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Dr. Lo Ka Shui*, aged 68

Director

Dr. Lo Ka Shui was appointed to the Board of the Company in 1989. In 2005, he was appointed Chairman of the Nomination Committee of the Company. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of Champion Real Estate Investment Trust), LHIL Manager Limited (Trustee-Manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited. He is also an independent non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and China Mobile Limited. Dr. Lo is a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and the Vice Chairman of The Chamber of Hong Kong Listed Companies.

Mr. Lee Jackson @ Li Chik Sin*, aged 82

Director

Mr. Lee Jackson was appointed as an independent non-executive Director and Chairman of the Audit Committee of the Company in December 1998. In 2005, he was appointed a member of the Remuneration Committee and the Nomination Committee of the Company. On 22 April 2009, he stepped down as the Chairman of the Audit Committee of the Company and remains as a member of the Audit Committee. He stepped down as the lead independent Director of Hong Fok Corporation Limited on 30 April 2014. He was formerly a partner of an international firm of Chartered Accountants and is a member of The Australian Institute of Chartered Accountants.

Mr. Teoh Teik Kee*, aged 55

Director

Mr. Teoh Teik Kee was appointed an independent non-executive Director and a member of the Audit Committee of the Company on 30 September 2004. In 2005, he was appointed Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. On 22 April 2009, he was appointed Chairman of the Audit Committee of the Company. Mr. Teoh is a lead independent Director of Luzhou Bio-Chem Technology Limited and was appointed as a non-independent & non-executive Director of Hwang Capital (Malaysia) Berhad (formerly known as Hwang-DBS (Malaysia) Berhad) on 1 April 2013. Mr Teoh resigned as a non-executive non-independent Director of Great Group Holdings Limited on 1 November 2013.

Mr Teoh is a Chartered Accountant by training, and worked from 1986 to 1990 with KPMG Peat Marwick McLintock in London and with PricewaterhouseCoopers in Singapore. He has extensive experience in investment banking and corporate financial advisory services when he was with the DBS Group from 1993 to 2001.

Mr. Teoh graduated from Aston University, Birmingham, United Kingdom with a Bachelor of Science (Honours) Degree in Managerial and Administrative Studies, and is a member of The Institute of Chartered Accountants in England and Wales. He also has a diploma in Corporate Treasury Management awarded by the Association of Corporate Treasurers in the United Kingdom.

** Independent non-executive Director*

The non-executive Directors are subject to the same terms of appointment as the other Directors of the Company. Fees payable to non-executive Directors are approved by the Board at the end of each financial year.

DIRECTORS' REPORT

for the year ended 31 December 2014

SENIOR MANAGEMENT

Mr. Sherman Kwek Eik Tse, aged 38
Chief Executive Officer

Mr. Sherman Kwek Eik Tse was appointed as the Chief Executive Officer of the Company on 1 November 2008.

Prior to joining the Company, Mr. Kwek was the Chief Operating Officer of Thakral Corporation Ltd ("Thakral Corp"). At Thakral Corp, he was responsible for running the day-to-day operations and assisting the Board of Directors in setting a strategic direction for the company.

Before Thakral Corp, Mr. Kwek was a Director of RECAP Investments Limited, a Pan-Asian real estate private equity fund. He assisted the fund in completing deals in Korea and Thailand as well as sourcing for deals in China. Prior to that, Mr. Kwek was based in the U.S. and held a hotel management and property development role for the U.S. division of Millennium & Copthorne Hotels plc, where he assisted the regional president in overseeing a portfolio of more than a dozen hotels as well as managing several condominium conversion projects.

Mr. Kwek started out his career in New York, first as a financial analyst in Telligent Capital, a technology venture capital firm, before progressing on to the Investment Banking Division of Credit Suisse First Boston.

Mr. Kwek has experience in the areas of finance, mergers and acquisitions, real estate, information technology and hotel management. He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

Mr. Sherman Kwek Eik Tse is the son of Mr. Kwek Leng Beng, the nephew of Messrs. Kwek Leng Joo and Gan Khai Choon.

Mr. Will Loughran, aged 51
President

Mr. Loughran has been President of Richfield Hospitality, since May 2014. A hotel veteran, Mr. Loughran has held top-line sales, operations, revenue, positioning and strategic leadership positions. With 17 years' experience at Marriott and 5 years' experience at Sage Hospitality, he has delivered excellent results and leadership. He has a proven track record of transforming sales and revenue cultures, and has the unique ability to recognise and create opportunities that deliver results in hotel and company performance. In previous roles with Marriott International and various properties throughout the country, Mr. Loughran's experience includes leading cluster teams, creation of the First Market Sales Organisations for Marriott, and a range of property-level sales, marketing and revenue management responsibilities. His experience is instrumental to his role in spearheading the growth of Richfield Hospitality and Sceptre Hospitality Resources. He serves in several hospitality professional organisations such as HSMIAI, and he holds an MBA from Tulane University with an undergraduate degree from Colorado State University.

DIRECTORS' REPORT

for the year ended 31 December 2014

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

- (a) As at 31 December 2014, the interests of the Directors and Chief Executive Officer of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

The Company

Name of Director	Nature of Interest	Number of Ordinary Shares of HK\$1.00 each
Kwek Leng Beng	personal	3,286,980
Kwek Leng Joo	personal	1,436,000
Gan Khai Choon	personal	1,041,100
Lawrence Yip Wai Lam	personal	520,550
Chan Bernard Charnwut	personal	53,850

City Developments Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	397,226
Kwek Leng Joo	personal	65,461
Gan Khai Choon	personal	100,000
	family	25,000

Name of Director	Nature of Interest	Number of Preference Shares
Kwek Leng Beng	personal	144,445
Kwek Leng Joo	personal	100,000
Gan Khai Choon	personal	49,925
	family	25,738

Hong Leong Investment Holdings Pte. Ltd.

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	2,320
Kwek Leng Joo	personal	1,290
Gan Khai Choon	family	247

Name of Chief Executive Officer

Sherman Kwek Eik Tse	personal	1,174
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DIRECTORS' REPORT

for the year ended 31 December 2014

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES (cont'd)

Millennium & Copthorne Hotels plc

Name of Director	Nature of Interest	Number of Ordinary Shares of 30 pence each
Lawrence Yip Wai Lam	personal	52,081

Millennium & Copthorne Hotels New Zealand Limited

Name of Director	Nature of Interest	Number of Ordinary Shares
Kwek Leng Beng	personal	906,000

Name of Director	Nature of Interest	Number of Redeemable Non-Voting Preference Shares
Kwek Leng Beng	personal	453,000

Note: Millennium & Copthorne Hotels New Zealand Limited is an indirect subsidiary of Millennium & Copthorne Hotels plc, a subsidiary of City Developments Limited. City Developments Limited is the holding company of the Company. The Directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the Company's ultimate holding company.

- (b) Pursuant to Millennium & Copthorne Hotels Long Term Incentive Plan (the "LTIP") approved by shareholders of Millennium & Copthorne Hotels plc ("M&C") on 4 May 2006, certain Directors were awarded Performance Share Awards of ordinary shares of 30 pence each as follows:

Name of Director	Date Awarded	Number of Performance Shares	Vesting Date
Lawrence Yip Wai Lam	16/08/2012	9,077	16/08/2015
	11/09/2013	6,490	11/09/2016
	04/04/2014	8,980	04/04/2017

Note: Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an Executive Director) of M&C or its subsidiaries.

- (c) Save as disclosed herein, as at 31 December 2014, none of the Directors and the Chief Executive Officer of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

for the year ended 31 December 2014

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of Shares Held	Notes	Percentage Holding in the Company
eMpire Investments Limited	190,523,819		49.82%
City Developments Limited	200,854,743	(1)	52.52%
Hong Leong Holdings Limited	21,356,085		5.58%
Hong Leong Investment Holdings Pte. Ltd.	230,866,817	(2)	60.37%
Davos Investment Holdings Private Limited	230,866,817	(3)	60.37%
Kwek Leng Kee	230,866,817	(4)	60.37%
Farallon Capital Offshore Investors, Inc.	35,232,850	(5)	9.21%
Aberdeen Asset Management Asia Ltd.	23,052,000		6.03%
Aberdeen Asset Management plc and its Associates (together "The AAM Group") on behalf of accounts managed by The AAM Group	23,052,000	(6)	6.03%
Noonday G.P. (U.S.), LLC	22,321,306		5.84%

Notes:

- (1) Of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.52% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.
- (2) The interests of CDL and Hong Leong Holdings Limited in 200,854,743 shares and 21,356,085 shares respectively, are included in the aggregate number of shares disclosed.
- (3) The deemed interest of Hong Leong Investment Holdings Pte. Ltd. in 230,866,817 shares, representing approximately 60.37% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.
- (4) Mr. Kwek Leng Kee is deemed to have an interest in the 230,866,817 shares in which Davos Investment Holdings Private Limited ("Davos") is deemed to have an interest in, by virtue of his entitlement to exercise or control the exercise of one-third or more of the voting power at general meetings of Davos.
- (5) Farallon Capital Offshore Investors, Inc is interested in these shares in its capacity as the beneficial owner.
- (6) Aberdeen Asset Management plc is interested in these shares in its capacity as the investment manager and includes shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.

Save as stated above, no person was interested in or had a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2014.

DIRECTORS' REPORT

for the year ended 31 December 2014

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding companies a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

Provision of Property Management Services and Reservation Services

Property Management Services and Reservation Services are provided by the Group to Owners of Hotels, being indirect wholly-owned subsidiaries of Millennium & Copthorne Hotels plc ("M&C"). M&C is a subsidiary of the City Developments Limited, a controlling shareholder of the Company. Details of the transactions were set out in the announcement dated 5 March 2014. The cap amount for Property Management Services and Reservation Services is HK\$9.5 million for each of the three financial years commencing from 1 January 2014 and ending 31 December 2016.

The total revenue generated from the provision of Property Management Services and Reservation Services for the year ended 31 December 2014 amounted to HK\$7.1 million (2013: HK\$1.3 million).

All the independent non-executive Directors have reviewed the Continuing Connected Transactions in the 2014 financial year and confirmed that those transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and
- (iii) in accordance with the relevant agreement, governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company, KPMG LLP, have confirmed in a letter to the Board that nothing has come to their attention that caused them to believe that the Continuing Connected Transactions in the 2014 financial year:

- (i) had not been approved by the Board of the Company;
- (ii) were not entered into in all material respects in accordance with the relevant agreement governing such transactions; and
- (iii) had exceeded the cap amount of HK\$9.5 million disclosed in the announcement of the Company dated 5 March 2014.

DIRECTORS' REPORT

for the year ended 31 December 2014

Other Related Party Transactions

Other material related party transactions are set out in note 30 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" in Chapter 14A of the Listing Rules and are exempted under the Listing Rules or does not fall into the definition of "connected transaction" or "continuing connected transaction".

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiaries.

PRE-EMPTIVE RIGHTS

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

EMPLOYEE RETIREMENT BENEFIT

Details of the Group's employee retirement benefits are shown in note 26 to the financial statements.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

KPMG LLP will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

KWEK LENG BENG
Chairman

13 February 2015

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of City e-Solutions Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of City e-Solutions Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 99, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE 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. This report is made solely to you, as a body, 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss 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.

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

13 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2014

	Note	The Group	
		2014 HK\$'000	2013 HK\$'000
Turnover	2	100,130	102,838
Cost of sales		(18,457)	(18,981)
Gross profit		81,673	83,857
Other net (losses)/gains	3	(559)	23,561
Administrative expenses		(105,383)	(92,612)
(Loss)/Profit from operating activities		(24,269)	14,806
Finance costs	4	(1,582)	(1,046)
Share of profit of a joint venture		1,489	2,187
Share of profit of associates		884	357
(Loss)/Profit before taxation	4	(23,478)	16,304
Income tax credit/(expense)	5a	4,964	(442)
(Loss)/Profit for the year		(18,514)	15,862
Attributable to:			
Equity shareholders of the Company	8	(18,978)	17,169
Non-controlling interests		464	(1,307)
(Loss)/Profit for the year		(18,514)	15,862
		HK cents	HK cents
Earnings per share			
Basic (losses)/earnings per share	9	(4.96)	4.49

The notes on pages 41 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	The Group	
		2014 HK\$'000	2013 HK\$'000
(Loss)/Profit for the year		(18,514)	15,862
Other comprehensive income for the year (after taxation):	10		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		206	(689)
Exchange differences on monetary item forming net investment in a foreign operation		(18)	(38)
Total comprehensive income for the year		(18,326)	15,135
Attributable to:			
Equity shareholders of the Company		(18,802)	16,448
Non-controlling interests		476	(1,313)
Total comprehensive income for the year		(18,326)	15,135

The notes on pages 41 to 99 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	The Group		The Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Non-current assets					
Property, plant and equipment	12	41,904	41,903	-	1
Intangible assets	13	10,873	13,588	-	-
Goodwill	14	8,942	8,937	-	-
Available-for-sale financial assets	15	33,016	32,996	-	-
Other receivables	22	-	-	33,019	33,000
Long term bank deposits		9,780	9,495	-	-
Interests in subsidiaries	16	-	-	220,860	220,860
Interest in a joint venture	18	-	9,340	-	-
Interest in associates	19	8,880	8,673	-	-
Deferred tax assets	20	24,632	20,804	-	-
Total non-current assets		138,027	145,736	253,879	253,861
Current assets					
Trading securities	21	111,197	114,042	109,514	107,523
Trade and other receivables	22	30,274	34,467	2,845	1,728
Short term bank deposits		17,101	35,112	-	-
Current tax recoverable	5c	4,630	3,721	-	-
Cash and cash equivalents	23	372,824	347,953	223,498	239,886
		536,026	535,295	335,857	349,137
Current liabilities					
Trade and other payables	24	(29,924)	(33,450)	(9,580)	(29,075)
Interest-bearing borrowings	25	(969)	(884)	-	-
		(30,893)	(34,334)	(9,580)	(29,075)
Net current assets		505,133	500,961	326,277	320,062
Total assets less current liabilities		643,160	646,697	580,156	573,923

The notes on pages 41 to 99 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	The Group		The Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Non-current liabilities					
Employee benefits	26	-	(1,632)	-	-
Dividends received in excess of earnings from equity-method accounted joint venture	18	(17,256)	-	-	-
Interest-bearing borrowings	25	(30,394)	(31,229)	-	-
		(47,650)	(32,861)	-	-
NET ASSETS		595,510	613,836	580,156	573,923
CAPITAL AND RESERVES					
Share capital	27	382,450	382,450	382,450	382,450
Reserves		167,784	186,586	197,706	191,473
Total equity attributable to equity shareholders of the Company		550,234	569,036	580,156	573,923
Non-controlling interests		45,276	44,800	-	-
TOTAL EQUITY		595,510	613,836	580,156	573,923

Approved and authorised for issue by the Board of Directors on 13 February 2015.

.....
Kwek Leng Beng
Chairman

.....
Gan Khai Choon
Director

The notes on pages 41 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Attributable to equity shareholders of the Group					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserves HK\$'000	Total HK\$'000		
Balance at 1 January 2013	382,450	676	3,016	166,446	552,588	46,113	598,701
Changes in equity for 2013:							
Profit/(Loss) for the year	–	–	–	17,169	17,169	(1,307)	15,862
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of foreign operations	–	–	(683)	–	(683)	(6)	(689)
Exchange differences on monetary item forming net investment in a foreign operation	–	–	(38)	–	(38)	–	(38)
Total other comprehensive income	–	–	(721)	–	(721)	(6)	(727)
Total comprehensive income for the year	–	–	(721)	17,169	16,448	(1,313)	15,135
Balance at 31 December 2013	382,450	676	2,295	183,615	569,036	44,800	613,836
Balance at 1 January 2014	382,450	676	2,295	183,615	569,036	44,800	613,836
Changes in equity for 2014:							
(Loss)/Profit for the year	–	–	–	(18,978)	(18,978)	464	(18,514)
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of foreign operations	–	–	194	–	194	12	206
Exchange differences on monetary item forming net investment in a foreign operation	–	–	(18)	–	(18)	–	(18)
Total other comprehensive income	–	–	176	–	176	12	188
Total comprehensive income for the year	–	–	176	(18,978)	(18,802)	476	(18,326)
Balance at 31 December 2014	382,450	676	2,471	164,637	550,234	45,276	595,510

The notes on pages 41 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	The Group	
		2014 HK\$'000	2013 HK\$'000
Operating activities			
(Loss)/Profit for the year		(18,514)	15,862
Income tax (credit)/expense	5a	(4,964)	442
(Loss)/Profit before income tax		(23,478)	16,304
Adjustments for:			
Amortisation of intangible assets	4	2,699	2,698
Depreciation of property, plant and equipment	4	2,824	2,607
Dividend income	2	(3,379)	(1,802)
Finance costs	4	1,582	1,046
Gain on disposal of property, plant and equipment	3	(27)	(518)
Impairment loss on intangible assets	4	23	-
Impairment loss on trade and other receivables	4	2,342	-
Interest income	2	(2,484)	(2,770)
Other net gains	3	-	(25)
Net realised and unrealised foreign exchange loss/(gain)	3	11,561	(5,701)
Net realised and unrealised valuation gain on trading securities	3	(6,631)	(17,317)
Share of profit of a joint venture		(1,489)	(2,187)
Share of profit of associates		(884)	(357)
		6,137	(24,326)
Operating loss before changes in working capital		(17,341)	(8,022)
Changes in working capital			
Trade and other receivables		2,055	24,294
Trade and other payables		(4,997)	(520)
Cash (used in)/generated from operations		(20,283)	15,752
Interest received		2,245	3,174
Dividend received		3,379	1,802
Tax refunded/(paid) – overseas tax		249	(240)
Net cash (used in)/generated from operating activities		(14,410)	20,488

The notes on pages 41 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	The Group	
		2014 HK\$'000	2013 HK\$'000
Investing activities			
Acquisition of interest in an associate		-	(6,983)
Dividends received from a joint venture		28,090	3,257
Dividends received from associates		644	271
Decrease/(Increase) in bank deposits		17,726	(44,607)
Payment for purchase of property, plant and equipment		(2,823)	(1,078)
Payment for purchase of available-for-sale financial assets		-	(33,034)
Payment for purchase of trading securities		(5,599)	(6,132)
Proceeds from disposal of property, plant and equipment		42	1,027
Proceeds from sale of trading securities		10,348	4,248
Net cash generated from/(used in) investing activities		48,428	(83,031)
Financing activities			
Increase in cash pledged		(745)	(1,209)
Interest paid		(1,458)	(868)
Payment of transaction costs relating to interest-bearing borrowings		-	(1,234)
Proceeds from interest-bearing borrowings		-	33,376
Repayment of interest-bearing borrowings		(893)	(535)
Net cash (used in)/generated from financing activities		(3,096)	29,530
Net increase/(decrease) in cash and cash equivalents		30,922	(33,013)
Cash and cash equivalents at 1 January		346,744	376,452
Effect of foreign exchange rate changes		(6,796)	3,305
Cash and cash equivalents at 31 December	23	370,870	346,744

The notes on pages 41 to 99 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

These notes form an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

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

(b) Basis of Preparation of the Financial Statements

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

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

- financial instruments classified as available-for-sale or as trading securities (Note 1(i))

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainties are discussed in note 33.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The adoption of the above amendments did not have any significant effect on the financial statements.

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

(d) Subsidiaries and Non-controlling Interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(o) or 1(q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Subsidiaries and Non-controlling Interests (cont'd)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset (Note 1(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 1(g)).

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

(e) Joint Arrangements

A joint arrangement is a contractual arrangement between the Group and other parties, where they have contractually agreed to share joint control, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

(f) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses relating to its interest with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group recognises its interest in the joint operation from the date that joint control commences until the date on which the Group ceases to have joint control over the joint operation.

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

When the Group ceases to have joint control over the joint operation, it is accounted for as a disposal of the entire interest in the joint operation, with a resulting gain or loss being recognised in profit or loss.

(g) Joint Ventures and Associates

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Joint Ventures and Associates (cont'd)

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

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

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

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

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

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

(h) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Goodwill (cont'd)

When (iii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 1(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(i) Other Investments in Debt and Equity Securities

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

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(iv) and 1(t)(v).

Investments in securities which do not fall into held-for-trading or held-to-maturity categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. The cumulative gain or loss in fair value reserve is reclassified to profit or loss when derecognised or impaired (Note 1(m)). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 1(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(iv) and 1(t)(v) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) *Property, Plant and Equipment*

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (Note 1(m)).

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

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

Building	-	2.6%
Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	-	6% to 33.33%
Motor vehicles	-	20%

No depreciation is provided on freehold land.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) *Intangible Assets (Other Than Goodwill)*

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 1(m)).

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where appropriate. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 1(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Trade name	1 to 15 years
- Trademarks	15 years
- Franchise application	10 years
- Technology	5 to 11 years
- Customer relations	7 to 11 years

Both the period and method of amortisation are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Leased Assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(iii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment of Assets

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

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

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

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (Note 1(g)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment of Assets (cont'd)

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

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

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

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

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

- For unquoted available-for-sale equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

(ii) Impairment of other assets

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

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment of Assets (cont'd)

(ii) Impairment of other assets (cont'd)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Notes 1(m)(i) and 1(m)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Trade and Other Receivables

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

(o) Trade and Other Payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Employee Benefits

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

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

- (ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Income Tax

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

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

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Income Tax (cont'd)

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

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

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(t) Revenue Recognition

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

- (i) Hotel management revenue

Revenue arising from hotel management services, reservation distribution and payroll services is recognised when the relevant services are delivered.

- (ii) Hotel operations

Revenue from hotel operations is recognised on an accrual basis, upon rendering of the relevant services.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Revenue Recognition (cont'd)

(iii) Insurance and risk management revenue

Revenue arising from insurance and risk management services, where the Group acts as an agent and does not assume underwriting risk, is recognised based on the net amount retained or the amount billed to the customer less the amount paid to suppliers.

For risk management services where the Company acts as an agent and does not assume any underwriting risk, revenue is recorded as the net amount earned as fees rather than the gross amount of insurance premiums and related costs.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

(u) Translation of Foreign Currencies

(i) Foreign currency transactions

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(ii) Translation of foreign currencies

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Translation of Foreign Currencies (cont'd)

- (iii) Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's statement of profit or loss. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the statement of profit or loss as an adjustment to the profit or loss arising on disposal.

(v) Finance Costs

Finance costs comprise interest expenses on borrowings and expenses incurred in connection with the arrangement of debt facilities.

Interest expenses on borrowings are recognised in the statement of profit or loss using the effective interest method. Expenses incurred in connection with the arrangement of debt facilities are recognised in the statement of profit or loss on an effective interest basis over the period for which the debt facilities are granted.

(w) Related Parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Related Parties (cont'd)

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(x) Segment Reporting

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

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

2. TURNOVER

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

Turnover of the Group comprises revenue from hospitality related services, dividend income and interest income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Investment holding	3,379	1,802
Hospitality	94,267	98,266
Interest income	2,484	2,770
	100,130	102,838

Further details regarding the Group's principal activities are disclosed in note 16 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. OTHER NET (LOSSES)/GAINS

	The Group	
	2014 HK\$'000	2013 HK\$'000
Net realised and unrealised foreign exchange (loss)/gain	(11,561)	5,701
Net realised and unrealised valuation gain on trading securities	6,631	17,317
Miscellaneous proceeds	4,344	–
Gain on disposal of property, plant and equipment	27	518
Others	–	25
	(559)	23,561

Miscellaneous proceeds mainly comprise of one-time proceeds received as final settlement of a contractual obligation arising from the acquisition of Whiteboard Labs, LLC.

4. (LOSS)/PROFIT BEFORE TAXATION

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

	The Group	
	2014 HK\$'000	2013 HK\$'000
Finance costs		
Amortisation of capitalised transaction costs	124	85
Interest expenses on borrowings	1,458	961
	1,582	1,046
Staff costs		
Salaries, wages and other benefits	67,177	65,137
Other items		
Amortisation of intangible assets	2,699	2,698
Auditors' remuneration		
- audit services	3,679	3,719
- tax services	1,188	106
- non-audit services:		
- review of continuing connected transactions	55	57
- review of half-year financial statements	601	527
- review of the compilation of financial information	116	281
Depreciation of property, plant and equipment	2,824	2,607
Impairment loss on intangible assets	23	–
Impairment losses on trade and other receivables	2,342	–
Operating lease charges – rental of properties	1,691	1,752
	1,691	1,752

NOTES TO THE FINANCIAL STATEMENTS

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5. INCOME TAX**(a) Taxation in the consolidated statement of profit or loss represents:**

	The Group	
	2014 HK\$'000	2013 HK\$'000
Current tax - Overseas		
Provision for the year	(1,171)	(1,116)
Under/(Over)-provision in respect of prior years	23	(907)
	(1,148)	(2,023)
Deferred tax		
Origination and reversal of temporary differences	(4,522)	1,845
Under-provision in respect of prior years	706	620
	(3,816)	2,465
Income tax (credit)/expense	(4,964)	442

The provision for Hong Kong Profits Tax for the year ended 31 December 2014 is calculated at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax, as the Group did not earn any income subject to Hong Kong Profits Tax during the year. Taxation for overseas subsidiaries has been provided on estimated assessable profits at the rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

As at 31 December 2014, the Group had not recognised deferred tax assets in respect of tax losses of approximately HK\$4.2 million (2013: HK\$4.2 million) as it is not probable that there will be sufficient future taxable profits against which the Group can utilise the benefits. The tax losses do not expire under the current tax legislations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

5. INCOME TAX (cont'd)

(b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	The Group	
	2014 HK\$'000	2013 HK\$'000
(Loss)/Profit for the year	(18,514)	15,862
Income tax (credit)/expense	(4,964)	442
(Loss)/Profit before income tax	<u>(23,478)</u>	16,304
Income tax using Hong Kong tax rates	(3,874)	2,690
Tax effect of non-taxable income	(2,002)	(3,243)
Tax effect of non-deductible expenses	3,611	568
Effect of tax rates in foreign jurisdictions	(2,319)	412
Effect of tax on non-controlling interest's share of (profit)/loss pass through different taxpayer	(217)	682
Effects of US federal tax credit	(892)	(380)
Under/(Over)-provision in respect of prior years	729	(287)
Actual income tax (credit)/expense	<u>(4,964)</u>	442

(c) Current taxation in the statement of financial position represents:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Recoverable for overseas tax for the year	1,179	1,116
Recoverable overseas tax relating to prior years	3,451	2,605
	<u>4,630</u>	3,721

NOTES TO THE FINANCIAL STATEMENTS

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6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
The Group				
2014				
Executive Directors				
Kwek Leng Beng	375	-	-	375
Kwek Leng Joo	100	-	-	100
Gan Khai Choon	100	-	-	100
Lawrence Yip Wai Lam	50	-	-	50
Non-Executive Directors				
Chan Bernard Charnwut	194	-	-	194
Ronald Nathaniel Issen	100	-	-	100
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	-	-	100
Lee Jackson @ Li Chik Sin	194	-	-	194
Teoh Teik Kee	288	-	-	288
	1,501	-	-	1,501
Chief Executive Officer*				
Sherman Kwek Eik Tse	-	2,140	-	2,140

NOTES TO THE FINANCIAL STATEMENTS

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6. DIRECTORS' REMUNERATION (cont'd)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
2013				
Executive Directors				
Kwek Leng Beng	375	–	–	375
Kwek Leng Joo	100	–	–	100
Gan Khai Choon	100	–	–	100
Lawrence Yip Wai Lam	50	–	–	50
Non-Executive Directors				
Chan Bernard Charnwut	194	–	–	194
Ronald Nathaniel Issen	63	–	–	63
Independent Non-Executive Directors				
Dr. Lo Ka Shui	100	–	–	100
Lee Jackson @ Li Chik Sin	194	–	–	194
Teoh Teik Kee	288	–	–	288
	1,464	–	–	1,464
Chief Executive Officer*				
Sherman Kwek Eik Tse	–	2,211	–	2,211

* In accordance with Paragraph 24 of Appendix 16 to the Hong Kong Exchange Listing Rules, references to 'Director' include a Chief Executive Officer who is not a director.

NOTES TO THE FINANCIAL STATEMENTS

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7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2013: one) is a director whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the other five (2013: four) individuals are as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Salaries and other emoluments	7,197	5,632
Discretionary bonuses	1,348	2,721
	8,545	8,353

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

	2014 Number of individuals	2013 Number of individuals
HK\$Nil – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	–
HK\$3,500,001 – HK\$4,000,000	–	1

8. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a profit of HK6,233,000 (2013: HK\$15,208,000) which has been dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE**(a) Basic (losses)/earnings per share**

The calculation of basic losses per share (2013: basic earnings per share) is based on the loss attributable to ordinary equity shareholders of the Company of HK\$18,978,000 (2013: profit attributable to ordinary equity shareholders of the Company of HK\$17,169,000) and on the weighted average number of ordinary shares of 382,449,524 (2013: 382,449,524 shares) in issue during the year, calculated as follows:

	The Group	
	2014	2013
Weighted average number of ordinary shares at 1 January and 31 December	382,449,524	382,449,524

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

9. EARNINGS PER SHARE (cont'd)

(b) Diluted earnings per share

Diluted earnings per share is not applicable as there are no dilutive potential ordinary shares during the year.

10. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	The Group					
	2014		2013		Net of tax	
	Before tax amount	Tax expenses	Before tax amount	Tax expenses	Before tax amount	Net of tax amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences on translation of financial statements of foreign operations	206	-	206	(689)	-	(689)
Exchange differences on monetary item forming net investment in a foreign operation	(18)	-	(18)	(38)	-	(38)
	188	-	188	(727)	-	(727)

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following two reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment:

- Investment holding : This segment relates to investments in listed equity investments, unlisted marketable equitable equity mutual funds held as trading securities and investment in an unlisted equity fund classified as available-for-sale financial assets. Currently, the Group's equity investment portfolio includes equity securities listed on the London Stock Exchange, NASDAQ Stock Market and The Philippines Stock Exchange, Inc. and investment portfolio in United States and Hong Kong.
- Hospitality : This segment primarily derives the revenue from the provision of hotel management, hotel reservation, revenue management services, risk management services and procurement services to the hospitality industry as well as owning and managing hotels. Currently, the Group's activities in this regard are carried out in the United States.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

11. SEGMENT REPORTING (cont'd)

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, goodwill and current assets with the exception of deferred tax assets and current tax recoverable. Segment liabilities include bank borrowings, trade and other payables and dividends received in excess of earnings from equity-method accounted joint venture.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint operation.

The measure used for reporting segment profit is "profit from operations". In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, impairment losses, foreign exchange gain/loss, gain/loss on trading securities and additions to non-current segment assets used by the segments in their operations.

(b) Information about reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segment for the years ended 31 December 2014 and 2013 is set out below:

	Investment Holding		Hospitality		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	3,379	1,802	94,267	98,266	97,646	100,068
Interest income	2,227	2,034	257	736	2,484	2,770
Reportable segment revenue	5,606	3,836	94,524	99,002	100,130	102,838
Reportable segment (loss)/profit	(13,970)	14,528	(9,508)	1,776	(23,478)	16,304
Depreciation and amortisation	1	2	5,522	5,303	5,523	5,305
Net realised and unrealised valuation gain/(loss) on trading securities	6,755	16,991	(124)	326	6,631	17,317
Net realised and unrealised foreign exchange (loss)/gain	(11,561)	5,709	-	(8)	(11,561)	5,701
Additions to non-current assets	-	33,034	2,823	17,905	2,823	50,939
Reportable segment assets	456,027	467,836	188,764	188,670	644,791	656,506
Reportable segment liabilities	9,629	9,946	68,914	57,249	78,543	67,195

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

11. SEGMENT REPORTING (cont'd)

(c) Reconciliations of reportable segment assets

	The Group	
	2014 HK\$'000	2013 HK\$'000
Assets		
Reportable segment assets	644,791	656,506
Deferred tax assets	24,632	20,804
Current tax recoverable	4,630	3,721
Consolidated total assets	<u>674,053</u>	<u>681,031</u>

(d) Geographical segments

The Group's investing activities are mainly carried out in Hong Kong. Hospitality activities are carried out by the subsidiaries based in United States.

In presenting information on the basis of geographical segments, segment revenue in relation to investment holding is based on the geographical location of investments and segment revenue in relation to hospitality is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

(e) Geographical information

2014

	The Group	
	Revenues HK\$'000	Non-current assets HK\$'000
Hong Kong	5,459	-
China	-	1,705
United States	94,671	78,674
Cayman Islands	-	33,016
	<u>100,130</u>	<u>113,395</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

11. SEGMENT REPORTING (cont'd)

2013

	The Group	
	Revenues	Non-current assets
	HK\$'000	HK\$'000
Hong Kong	3,603	1
China	–	1,682
United States	99,235	90,253
Cayman Islands	–	32,996
	102,838	124,932

Major customer

Revenues from one customer of the Group's hospitality segment represents approximately HK\$7,455,000 (2013: HK\$16,713,000) of the Group's total revenue.

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land	Building	Plant, machinery and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 January 2013	5,058	34,194	12,747	3,692	55,691
Additions	–	264	1,163	–	1,427
Disposals	–	–	–	(3,129)	(3,129)
Exchange adjustments	–	(1)	–	–	(1)
At 31 December 2013	5,058	34,457	13,910	563	53,988
At 1 January 2014	5,058	34,457	13,910	563	53,988
Additions	–	132	2,691	–	2,823
Disposals	–	–	(2,650)	(563)	(3,213)
Written off	–	–	(1,015)	–	(1,015)
Reclassifications between assets categories	–	(108)	108	–	–
Exchange adjustments	–	22	6	–	28
At 31 December 2014	5,058	34,503	13,050	–	52,611

NOTES TO THE FINANCIAL STATEMENTS

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12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group	Freehold land HK\$'000	Building HK\$'000	Plant, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Accumulated depreciation and impairment losses					
At 1 January 2013	6	687	8,213	3,183	12,089
Depreciation for the year	16	1,819	772	–	2,607
Disposals	–	–	–	(2,620)	(2,620)
Exchange adjustments	6	(1)	4	–	9
At 31 December 2013	28	2,505	8,989	563	12,085
At 1 January 2014	28	2,505	8,989	563	12,085
Depreciation for the year	–	915	1,909	–	2,824
Disposals	–	–	(2,635)	(563)	(3,198)
Written off	–	–	(1,015)	–	(1,015)
Reclassifications between assets categories	–	(68)	68	–	–
Exchange adjustments	–	1	10	–	11
At 31 December 2014	28	3,353	7,326	–	10,707
Net book value					
At 1 January 2013	5,052	33,507	4,534	509	43,602
At 31 December 2013	5,030	31,952	4,921	–	41,903
At 31 December 2014	5,030	31,150	5,724	–	41,904

Freehold land is situated outside Hong Kong and is being held for own use.

During the year ended 31 December 2014, the Group acquired property, plant and equipment amounting to HK\$2,823,000 (2013: HK\$1,427,000), of which nil (2013: HK\$349,000) was acquired via finance leases. The cash outflow on acquisition of property, plant and equipment amounted to HK\$2,823,000 (2013: HK\$1,078,000).

At 31 December 2014, property, plant and equipment of the Group with a carrying amount of HK\$38,348,000 (2013: HK\$39,383,000) were pledged as security to secure bank loans (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Plant, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The Company			
Cost			
At 1 January 2013	2,967	3,692	6,659
Disposals	-	(3,129)	(3,129)
At 31 December 2013	2,967	563	3,530
At 1 January 2014	2,967	563	3,530
Written off	(1,015)	-	(1,015)
Disposals	-	(563)	(563)
At 31 December 2014	1,952	-	1,952
Accumulated depreciation			
At 1 January 2013	2,963	3,183	6,146
Charge for the year	3	-	3
Disposals	-	(2,620)	(2,620)
At 31 December 2013	2,966	563	3,529
At 1 January 2014	2,966	563	3,529
Charge for the year	1	-	1
Written off	(1,015)	-	(1,015)
Disposals	-	(563)	(563)
At 31 December 2014	1,952	-	1,952
Net book value			
At 1 January 2013	4	509	513
At 31 December 2013	1	-	1
At 31 December 2014	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

13. INTANGIBLE ASSETS

The Group	Trade name HK\$'000	Trademarks HK\$'000	Franchise application HK\$'000	Technology HK\$'000	Customer relations HK\$'000	Total HK\$'000
Cost						
At 1 January 2013	1,598	1,056	329	14,927	1,674	19,584
Exchange adjustments	6	-	-	(6)	-	-
At 31 December 2013	1,604	1,056	329	14,921	1,674	19,584
At 1 January 2014	1,604	1,056	329	14,921	1,674	19,584
Written off	-	(23)	-	-	-	(23)
Exchange adjustments	1	-	1	13	1	16
At 31 December 2014	1,605	1,033	330	14,934	1,675	19,577
Accumulated amortisation and impairment losses						
At 1 January 2013	86	1,033	31	1,974	171	3,295
Charge for the year	101	2	16	2,377	202	2,698
Exchange adjustments	3	-	-	1	(1)	3
At 31 December 2013	190	1,035	47	4,352	372	5,996
At 1 January 2014	190	1,035	47	4,352	372	5,996
Charge for the year	107	-	16	2,368	208	2,699
Impairment loss	-	23	-	-	-	23
Written off	-	(23)	-	-	-	(23)
Exchange adjustments	-	(2)	1	10	-	9
At 31 December 2014	297	1,033	64	6,730	580	8,704
Net book value						
At 1 January 2013	1,512	23	298	12,953	1,503	16,289
At 31 December 2013	1,414	21	282	10,569	1,302	13,588
At 31 December 2014	1,308	-	266	8,204	1,095	10,873

The amortisation charge for the Group's trade name, trademark, technology and customer relations and the Group's share of the joint operation's franchise application are included in "administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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14. GOODWILL

	The Group HK\$'000
At 1 January 2013	8,938
Translation differences	(1)
At 31 December 2013	8,937
Translation differences	5
At 31 December 2014	8,942

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to hotel operations of Sheraton Chapel Hill Hotel and hotel reservation business of Sceptre Hospitality Resources which is included in the hospitality segment.

Recoverable amount in 2014 is determined in a similar manner as in 2013 and is based on the following:

- (a) As at the reporting date, the Group has determined the recoverable amount of the hotel operations of Sheraton Chapel Hill Hotel based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 4 years and discount rate of 21.97%. The terminal value is calculated by applying an exit multiple to the projected terminal period EBITDA and applying the discount rate of 21.97%. The key assumptions are those relating to risk free rate of return, current risk premium, size premium, beta, expected changes in average room rates and occupancy and direct costs. The exit multiple for the terminal value is based on the Enterprise Value/EBITDA of comparable business enterprises.
- (b) As at the reporting date, the Group has determined the recoverable amount of the hotel reservation business of Sceptre Hospitality Resources based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by the management covering 6 years and discount rate of 40.28%. The terminal value is calculated utilising the Gordon Growth method and applying the discount rate of 40.28%. The key assumptions are those relating to risk-free rate of return, current risk premium, size premium, beta, revenue growth and costs growth. The Gordon Growth model assumes that cash flow will increase at the long-term growth rate of 4% and a capitalisation rate of 36.3%.

Management believes that any reasonable plausible changes in above key assumptions applied are not likely to cause the recoverable amounts to be lowered than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

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15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2014 HK\$'000	2013 HK\$'000
Available-for-sale equity securities:		
Unlisted shares, at cost	33,016	32,996

On 3 June 2013, the Group's direct wholly-owned subsidiary, CES Capital Limited, had committed to make an investment of US\$25.0 million (approximately HK\$194.0 million) in BEA Blue Sky Real Estate Fund L.P. (the "Fund"), by way of a subscription for a limited partnership interest in the Fund. As at 31 December 2014, CES Capital Limited has contributed US\$4.3 million (approximately HK\$33.0 million) to the Fund.

On 15 April 2014, the investment period of the Fund was terminated in accordance with the partnership agreements. Accordingly, no further capital contributions will be called from the Group except to the extent necessary to cover, among other things, operating expenses of the Fund, to fund the payment of management fees payable by the Fund, to fund drawdown requests from the BEA/AGRE China Real Estate Fund, L.P. (the "China Fund") to cover its operational and organisational expenses and to fund committed investments.

The Fund is a closed-ended private equity fund structured as a Cayman Islands exempted limited partnership, organised for the sole purpose of subscribing for a limited partnership interest in the China Fund. The China Fund is a real estate private equity fund established for the purpose of making investments in real estate assets and real estate-related assets in Greater China.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	259,601	259,601
Less: Impairment loss	(38,741)	(38,741)
	220,860	220,860

NOTES TO THE FINANCIAL STATEMENTS

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16. INTERESTS IN SUBSIDIARIES (cont'd)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name/ Principal activities	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		
			Group's effective interest %	Held by Company %	Held by subsidiary %
Principal direct and indirect subsidiaries					
CES Capital Limited (Investment holding)	British Virgin Islands	1 share of US\$1 each	100	100	–
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US\$1 each	85	85	–
SWAN USA, Inc. (Holding company)	United States of America	100 common stocks of US\$0.01 each	85	–	100
Richfield Hospitality Inc. (Investment holding and provision of hospitality related services)	United States of America	100 common stocks of US\$1,000.01 each	85	–	100
Sceptre Hospitality Resources, LLC. (Provision of reservation system services)	United States of America	100 common stocks of US\$0.01 each	43	–	51

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16. INTERESTS IN SUBSIDIARIES (cont'd)

(a) Material non-controlling interests

The following table lists out the information relating to the consolidated results and financial position of SWAN Holdings Limited, its subsidiaries, joint arrangements and associates ("Swan"). Swan is the only subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014 HK\$'000	2013 HK\$'000
NCI percentage	15%	15%
Current assets	202,445	196,910
Non-current assets	105,011	103,244
Current liabilities	(21,832)	[26,523]
Non-current liabilities	(47,650)	[31,229]
Net assets	237,974	242,402
NCI of Swan's subsidiaries	(11,269)	[9,929]
Net assets attributable to equity shareholders of Swan	226,705	232,473
Carrying amount of NCI of Swan	34,007	34,871
Add: NCI of Swan's subsidiaries (as above)	11,269	9,929
Total carrying amount of NCI	45,276	44,800
Revenue	94,671	99,235
(Loss)/Profit for the year	(5,879)	3,227
(Loss)/Profit allocated to NCI of Swan	(878)	484
Cash flow from operating activities	3,426	28,438
Cash flow from investing activities	38,844	(6,591)
Cash flow from financing activities	(903)	29,530

17. INTEREST IN A JOINT OPERATION

	The Group	
	2014 HK\$'000	2013 HK\$'000
Line-by-line interest in net assets of joint operation that are combined to the Group, including line-by-line interest in goodwill as below	10,063	9,734
Line-by-line interest in goodwill that is combined to the Group	1,696	1,694

Details of the Group's net interest in the joint operation, which is accounted for in the consolidated financial statements using the accounting policy in note 1(f), are as follows:

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17. INTEREST IN A JOINT OPERATION (cont'd)

Name of joint operation/ Principal activities	Form of business structure	Place of operation	Proportion of ownership interest	
			Group's effective interest %	Held by subsidiary %
Sheraton Chapel Hill hotel (Provision of hospitality related services)	Tenant-in- common agreement	USA	43	50

- (a) Establishment of SWAN Carolina Investor, LLC as joint operator of Sheraton Chapel Hill.

On 1 January 2013, to better reflect the joint operation arrangement with Shelbourne Falcon Investors, LP ("Shelbourne"), the Group revised the legal ownership structure as set out below.

The Group, through a newly incorporated indirect subsidiary, SWAN Carolina Investor, LLC ("SCI"), entered into a tenant-in-common agreement with SFI Carolina TIC SPE, LLC, a wholly-owned subsidiary of Shelbourne, to own an equal 50% tenant-in-common interest in Sheraton Chapel Hill hotel (the "Property") for the purpose of owning and operating the Property as a hotel and as an investment. The Group's interest in the Property was previously held through a 50% interest in RSF Carolina Investor Partners, LLC.

The change in legal ownership structure does not have an impact on the Group's intention to jointly operate the Property with Shelbourne since the establishment of SCI. The Group continues to recognise its interest in the joint operation in accordance with the accounting policy in note 1(f).

- (b) The table below summarised the Group's line-by-line interest in the results, assets and liabilities of the joint operation that had been combined into the Group's statement of financial position and consolidated statement of profit or loss.

	2014 HK\$'000	2013 HK\$'000
Non-current assets	40,311	41,366
Current assets	3,420	2,764
Non-current liabilities	(30,326)	(31,059)
Current liabilities	(3,342)	(3,337)
Net assets	10,063	9,734
Turnover	24,846	25,591
Expenses	(23,607)	(23,760)
Profit for the year	1,239	1,831

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18. (DIVIDENDS RECEIVED IN EXCESS OF EARNINGS FROM EQUITY-METHOD ACCOUNTED JOINT VENTURE)/ INTEREST IN A JOINT VENTURE

	The Group	
	2014 HK\$'000	2013 HK\$'000
(Dividends in excess of earnings)/Share of net assets	(17,256)	9,340

Details of the Group's net interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture/ Principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital US\$	Proportion of ownership interest	
				Group's effective interest %	Held by subsidiary %
RSF Syracuse Partners, LLC (Provision of hospitality related services)	Incorporated	USA	6,911,000	43	50

Summarised financial information of RSF Syracuse Partners, LLC and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2014 HK\$'000	2013 HK\$'000
Gross amounts of RSF Syracuse Partners, LLC's		
Current assets	11,658	14,198
Non-current assets	82,097	85,182
Current liabilities	(5,954)	(8,069)
Non-current liabilities	(122,313)	(72,631)
Equity	(34,512)	18,680
Included in the above assets and liabilities:		
Cash and cash equivalents	7,317	3,117
Current financial liabilities (excluding trade and other payables and provisions)	-	(1,250)
Non-current financial liabilities (excluding trade and other payables and provisions)	(122,313)	(72,631)
Revenue	79,478	81,605
Profit for the year	2,979	4,377
Dividend received from RSF Syracuse Partners, LLC	28,090	3,257
Included in the above profit:		
Depreciation and amortisation	(9,081)	(8,712)
Interest expense	(4,049)	(5,673)

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**18. (DIVIDENDS RECEIVED IN EXCESS OF EARNINGS FROM EQUITY-METHOD ACCOUNTED JOINT VENTURE)/
INTEREST IN A JOINT VENTURE (cont'd)**

	2014 HK\$'000	2013 HK\$'000
<u>Reconciled to the Group's interest in RSF Syracuse Partners, LLC</u>		
Gross amounts of net (liabilities)/assets	(34,512)	18,680
Group's interest	50%	50%
Group's share of net (liabilities)/assets, representing the carrying amount in the consolidated financial statements	(17,256)	9,340

19. INTEREST IN ASSOCIATES

	The Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	8,880	8,673

Details of the Group's interest in the associates are as follow:

Name of associate/ Principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital US\$	Proportion of ownership interest	
				Group's effective interest %	Held by subsidiary %
Cosmic Hospitality China Limited (Provision of hospitality related services)	Incorporated	China	400,000	43	50
S-R Burlington Partners, LLC (Provision of hospitality related services)	Incorporated	USA	2,970,281	27	32

All of the above are accounted for using the equity method in the consolidated financial statements. None of the associates are individually material to the Group. Aggregate information of the associates that are not individually material as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	8,880	8,673

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19. INTEREST IN ASSOCIATES (cont'd)

	The Group	
	2014 HK\$'000	2013 HK\$'000
Aggregate amounts of the Group's share of those associates:		
Total comprehensive income	<u>884</u>	<u>357</u>

20. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised:

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

The Group	Tax losses HK\$'000	Deductible temporary differences HK\$'000	Total HK\$'000
Deferred tax arising from:			
At 1 January 2013	18,596	4,674	23,270
Charged to profit or loss	(2,296)	(169)	(2,465)
Exchange adjustments	-	(1)	(1)
At 31 December 2013	<u>16,300</u>	<u>4,504</u>	<u>20,804</u>
At 1 January 2014	16,300	4,504	20,804
Charged to profit or loss	3,072	744	3,816
Exchange adjustments	9	3	12
At 31 December 2014	<u>19,381</u>	<u>5,251</u>	<u>24,632</u>

(b) Deferred tax assets not recognised:

The following temporary differences have not been recognised:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Tax losses	<u>4,166</u>	<u>4,176</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses do not expire under the respective countries' tax legislations.

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21. TRADING SECURITIES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities (at market value)				
- Listed outside Hong Kong				
- fellow subsidiaries	82,263	87,977	82,263	87,977
- non-related company	7,685	7,018	7,685	7,018
- Unlisted	21,249	19,047	19,566	12,528
	111,197	114,042	109,514	107,523

Included in trading securities is an amount of HK\$1,683,000 (2013: HK\$6,519,000) relating to investment securities held in respect of the Group's defined contribution plan (Note 26).

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Amount owing by a subsidiary, non-trade	-	-	33,019	33,000
Other receivables, non-current	-	-	33,019	33,000
Current				
Trade receivables	15,922	18,285	-	-
Less: Allowance for doubtful debts (Note 22(b))	(527)	-	-	-
	15,395	18,285	-	-
Other receivables and deposits	7,190	6,504	272	38
Amounts owing by subsidiaries, non-trade	-	-	2,276	1,418
Amounts owing by affiliated companies, non-trade	1,094	1,054	-	-
Loans and receivables	23,679	25,843	2,548	1,456
Prepayments	6,595	8,624	297	272
Trade and other receivables, current	30,274	34,467	2,845	1,728

Included in non-current amount owing by a subsidiary is a loan by the Company to a subsidiary with carrying amount of HK\$33,019,000 (2013: HK\$33,000,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As the amount is in substance a part of the Company's net investment in a subsidiary, it is stated at cost less accumulated impairment losses.

The amounts owing by subsidiaries and affiliated companies are unsecured, interest-free and repayable on demand.

Affiliated companies comprise subsidiaries of the holding company.

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22. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Ageing analysis

The ageing analysis of trade receivables (net of impairment losses) based on invoice date is as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Less than 1 month	9,493	12,813
1 to 3 months	4,173	5,061
3 to 12 months	1,729	411
	15,395	18,285

The Group's credit policy is set out in note 29. Trade receivables are due within 1 month from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
At 1 January	-	54
Impairment loss recognised	527	-
Allowance utilised	-	(54)
At 31 December	527	-

(c) Trade receivables that are not impaired

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

	The Group	
	2014 HK\$'000	2013 HK\$'000
Neither past due nor impaired	9,400	12,813
1 to 3 months overdue	2,559	5,061
3 to 12 months overdue	520	411
	3,079	5,472
	12,479	18,285

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22. TRADE AND OTHER RECEIVABLES (cont'd)**(c) Trade receivables that are not impaired (cont'd)**

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

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

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits with banks and other financial institutions	272,917	245,821	158,995	163,101
Cash at bank and in hand	99,907	102,132	64,503	76,785
Cash and cash equivalents in the statements of financial position	372,824	347,953	223,498	239,886
Less: Cash pledged for interest-bearing borrowings (Note 25)	(1,954)	(1,209)		
Cash and cash equivalents in the consolidated statement of cash flows	370,870	346,744		

The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period for the Group and the Company are 1.875% (2013: 0.656%) and 2.98% (2013: 0.864%) respectively. Interest rates re-priced within twelve months.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	512	2,659	-	-
Other payables and accrued charges	21,067	22,366	9,580	9,639
Deferred income	8,345	8,425	-	-
Amounts owing to subsidiary companies, non-trade	-	-	-	19,436
	29,924	33,450	9,580	29,075

All of the trade and other payables are expected to be settled within one year. The amounts owing to subsidiary companies are unsecured, interest-free and repayable on demand.

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24. TRADE AND OTHER PAYABLES (cont'd)

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

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 1 month or on demand	13,201	20,718	6,978	6,993
Due 1 to 3 months	3,715	3,665	-	19,436
Due 3 to 12 months	13,008	9,067	2,602	2,646
	29,924	33,450	9,580	29,075

25. INTEREST-BEARING BORROWINGS

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Bank loans - secured	31,130	31,756
Finance lease liabilities	233	357
	31,363	32,113
Within 1 year	969	884
Between 1 and 2 years	907	1,806
Between 2 and 5 years	2,745	2,767
After 5 years	26,742	26,656
	31,363	32,113

Security

The Group's line-by-line interest in the term loan is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK\$38.3 million (2013: HK\$ 39.4 million) as at 31 December 2014 (Note 12);
- assignments of all rights and benefits to sale, lease, agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;
- pledge of monies held in specific bank accounts of HK\$2.0 million (2013: HK\$1.2 million) as at 31 December 2014 (Note 23); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

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25. INTEREST-BEARING BORROWINGS (cont'd)

Covenant

The Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(c). As at 31 December 2014, none of the covenants relating to drawn down facilities had been breached.

Non-recourse Carveout Guarantees

As of 31 December 2014, RHI and SWAN USA, Inc (the "Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation, joint venture and associate, as below:

- a. RHI is a guarantor of indebtedness of the term loan entered into by Swan Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel. The term guarantee is through 6 May 2023.
- b. RHI and SWAN USA, Inc are guarantors of indebtedness of the term loan entered into by the Group's joint venture, Richfield Syracuse Hotel Partners, LLC. The term guarantee is through 1 February 2016.
- c. RHI and Swan USA, Inc are guarantors of indebtedness of the term loans entered into by RBH Mezz, LLC and Rich Burlington Hotel, LLC, which are underlying investments of S-R Burlington Partners, LLC.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages. The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees as at 31 December 2014 is HK\$296.6 million (2013: HK\$249.6 million).

The management is of the view that the possibility of violating the above covenants and triggering any cash outflow within the scope of the above guarantees is remote. In addition, the above indebtedness are non-recourse in nature and the carrying amount of the individual collateral is in excess of its respective outstanding loan amount.

26. EMPLOYEE RETIREMENT BENEFITS

In United States, the Group operates a defined contribution plan (the "Plan"). Under the Plan, employees may elect to contribute a percentage of their regular compensation to the Plan and to direct the distribution of these amounts among the Plan's investment options. The Group matches 50% of each employee's contributions up to a maximum of 3% of the employee's annual base compensation.

At the end of the reporting period, HK\$1,683,000 (2013: HK\$6,519,000) has been included in trading securities (Note 21).

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27. CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Share capital HK\$'000	Capital redemption reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
The Company				
Balance at 1 January 2013	382,450	676	175,589	558,715
Changes in equity for 2013:				
Profit for the year	–	–	15,208	15,208
Total comprehensive income for the year	–	–	15,208	15,208
Balance at 31 December 2013	382,450	676	190,797	573,923
Balance at 1 January 2014	382,450	676	190,797	573,923
Changes in equity for 2014:				
Profit for the year	–	–	6,233	6,233
Total comprehensive income for the year	–	–	6,233	6,233
Balance at 31 December 2014	382,450	676	197,030	580,156

(b) Share capital

- (i) Authorised and issued share capital

	The Company			
	2014			2013
	No. of shares (‘000)	HK\$'000	No. of shares (‘000)	HK\$'000
Authorised:				
Ordinary shares of HK\$1 each	2,720,615	2,720,615	2,720,615	2,720,615
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	382,450	382,450	382,450	382,450

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27. CAPITAL AND RESERVES (cont'd)

(b) Share capital (cont'd)

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

(ii) Purchase of own 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.

(iii) Share option scheme

The Share Option Scheme (the "2005 Scheme") for eligible persons, including employees (including the Executive Directors) and non-executive Directors of the Company and its associates, was adopted by the Company on 27 April 2005 ("Adoption Date"). Under the 2005 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue at the Adoption Date unless the Company obtains a fresh approval from its Shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options and yet to be exercised under the 2005 Scheme and any other option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. The subscription price of shares under the 2005 Scheme shall not be less than the highest of: (i) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the Offer Date; (ii) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. The 2005 Scheme shall be valid and effective for a period of ten years ending on 26 April 2015, after which no further options will be granted.

Throughout the financial year, no share option was granted and outstanding.

(c) Nature and purpose of reserves

(i) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

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27. CAPITAL AND RESERVES (cont'd)

(d) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$197,030,000 (2013: HK\$190,797,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net debt-to-adjusted capital ratio. It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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

28. FINANCIAL INSTRUMENTS BY CATEGORY

Set out below is an analysis of the Group's financial instruments:

	Note	Loan and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Liabilities at amortised cost HK\$'000
The Group					
2014					
Assets					
Available-for-sale financial assets	15	-	-	33,016	-
Trading securities	21	-	111,197	-	-
Trade and other receivables, excluding prepayments	22	23,679	-	-	-
Bank deposits		26,811	-	-	-
Cash and cash equivalents	23	372,824	-	-	-
		423,314	111,197	33,016	-

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28. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

	Note	Loan and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Liabilities at amortised cost HK\$'000
The Group					
2014					
Liabilities					
Trade and other payables excluding deferred income	24	-	-	-	21,579
Interest-bearing borrowings	25	-	-	-	31,363
		-	-	-	52,942
2013					
Assets					
Available-for-sale financial assets	15	-	-	32,996	-
Trading securities	21	-	114,042	-	-
Trade and other receivables, excluding prepayments	22	25,843	-	-	-
Bank deposits		44,607	-	-	-
Cash and cash equivalents	23	347,953	-	-	-
		418,403	114,042	32,996	-
Liabilities					
Trade and other payables excluding deferred income	24	-	-	-	25,025
Interest-bearing borrowings	25	-	-	-	32,113
		-	-	-	57,138

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28. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

	Note	Loan and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Liabilities at amortised cost HK\$'000
The Company				
2014				
Assets				
Trading securities	21	-	109,514	-
Trade and other receivables, excluding prepayments and loan to a subsidiary*	22	2,548	-	-
Cash and cash equivalents	23	223,498	-	-
		226,046	109,514	-
Liabilities				
Trade and other payables	24	-	-	9,580
2013				
Assets				
Trading securities	21	-	107,523	-
Trade and other receivables, excluding prepayments and loan to a subsidiary*	22	1,456	-	-
Cash and cash equivalents	23	239,886	-	-
		241,342	107,523	-
Liabilities				
Trade and other payables	24	-	-	29,075

* Loan to a subsidiary relates to amount owing by a subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future.

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 1 month from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities and with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

Bank deposits placed with a financial institution have maturity dates ranging from two to twenty-eight months from the end of the reporting period. Given its high credit rating, management does not expect the financial institution to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, 5% (2013: 20%) and 58% (2013: 35%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the hospitality business segment.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(b) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (Note 21).

The Group's listed equity investments are listed on the London Stock Exchange, NASDAQ Stock Market and The Philippines Stock Exchange, Inc. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

At 31 December 2014, a 3% (2013: 4%) increase in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period would increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by approximately HK\$2,442,000 (2013: HK\$3,484,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

A 3% (2013: 4%) decrease in the underlying equity prices of the equity investments listed on the London Stock Exchange at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's and the Company's profit after tax and revenue reserve.

At 31 December 2014, a 3% (2013: 4%) increase in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period would increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by approximately HK\$231,000 (2013: HK\$281,000).

A 3% (2013: 4%) decrease in the underlying equity prices of the equity investments listed on the NASDAQ Stock Market at the end of the reporting period, with all other variables held constant, would have an equal but opposite effect on the Group's and the Company's profit after tax and revenue reserve.

In respect of the Group's equity investment listed on The Philippines Stock Exchange, Inc., based on the historical trend analysis, management does not expect significant equity price movements on this investment and hence, any significant impact on the Group's and the Company's profit after tax, revenue reserve and other components of consolidated equity, assuming that all other variables remain constant.

The Group also holds investments in unlisted marketable equity mutual funds. Included in such investments is an amount of HK\$1,683,000 (2013: HK\$6,519,000) relating to investments held in respect of the Group's defined contribution plan (Note 26). Any movement in the equity price would not have any impact on the Group's profit after tax as there would be an equal and opposite change in the staff costs (Note 4) in response to the changes in the equity price.

At 31 December 2014, a 3% (2013: 4%) increase in the net asset value of the remaining balance of the investments in unlisted marketable equity mutual funds at the end of the reporting period would increase the Group's and the Company's profit after tax and increase the Group's and the Company's revenue reserve by approximately HK\$587,000 (2013: HK\$501,000). There is no impact on the other components of consolidated equity for both years. The analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(b) Equity price risk (cont'd)

A 3% (2013: 4%) decrease in the net asset value of the remaining balance in unlisted marketable equity mutual funds at the end of the reporting period, with all other variables held constant, would have had the equal but opposite effect on the Group's and the Company's profit after tax and revenue reserve.

The sensitivity analysis has been determined assuming that the reasonably possible changes in stock prices, net asset values or other risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price, net asset value or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2013.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

Except for the interest-bearing borrowings, the total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

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

	Contractual undiscounted cash outflow				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	After 5 years HK\$'000	Total HK\$'000	
The Group					
Non-derivative contractual liabilities					
2014					
Interest-bearing borrowings	(2,383)	(8,721)	(31,583)	(42,687)	(31,363)
2013					
Interest-bearing borrowings	(2,158)	(8,631)	(33,722)	(44,511)	(32,113)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(d) Interest rate risk

The Group's interest rate risk arises primarily from its bank deposits and interest-bearing borrowings. Bank deposits and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The effective interest rates per annum relating to the bank deposits at the end of reporting period are within 0.20% to 1.10% (2013: 0.15% to 0.60%). The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period is set out in note 23.

The weighted average effective interest rates per annum relating to the borrowings at the end of the reporting period is 4.21% (2013: 4.21%).

(e) Currency risk

The Group is exposed to foreign currency risk through deposits and withdrawals of fixed deposits, sales and purchases of the trading securities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to these risks are mainly Sterling Pound, Singapore Dollar, Philippine Peso, Renminbi and US Dollar.

When necessary, the Group uses forward exchange contracts to hedge its specific currency risks. However, forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments. As at the reporting date, the Group had no outstanding forward exchange contracts.

(i) Recognised assets and liabilities

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level.

(ii) Exposure to foreign currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate to.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)*(e) Currency risk (cont'd)*

	2014					2013				
	Sterling Pound '000	Singapore Dollar '000	Philippine Peso '000	Renminbi '000	US Dollar '000	Sterling Pound '000	Singapore Dollar '000	Philippine Peso '000	Renminbi '000	US Dollar '000
The Group										
Trading securities	6,745	-	4,969	-	991	6,820	-	5,091	-	905
Trade and other receivables	4	-	-	171	-	2	1	-	9	-
Cash and cash equivalents	5,484	2,630	-	78,760	5,012	5,643	3,519	-	77,479	5,742
Trade and other payables	-	(876)	-	-	(35)	-	(153)	-	-	(29)
Overall exposure arising from recognised assets and liabilities	12,233	1,754	4,969	78,931	5,968	12,465	3,367	5,091	77,488	6,618
The Company										
Trading securities	6,745	-	4,969	-	991	6,820	-	5,091	-	905
Trade and other receivables	4	-	-	171	-	2	1	-	9	-
Cash and cash equivalents	5,484	2,630	-	78,760	5,012	5,643	3,519	-	77,479	5,742
Trade and other payables	-	(876)	-	-	(35)	-	(153)	-	-	(29)
Overall exposure arising from recognised assets and liabilities	12,233	1,754	4,969	78,931	5,968	12,465	3,367	5,091	77,488	6,618

(iii) Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date.

A 10% [2013: 10%] strengthening of the following foreign currencies against the functional currency of each of the Group's entities at the end of the reporting period would impact the Group's and the Company's profit after tax and revenue reserve by the amounts shown below. There is no impact on the other components of consolidated equity. The analysis assumes that all other variables, in particular, interest rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(e) Currency risk (cont'd)

	Increase in profit after tax and increase in revenue reserve 2014 HK\$'000	Increase in profit after tax and increase in revenue reserve 2013 HK\$'000
The Group		
Sterling Pound	14,763	15,917
Singapore Dollar	1,028	2,059
Philippine Peso	86	89
Renminbi	9,836	9,896
US Dollar	4,629	5,130
The Company		
Sterling Pound	14,763	15,917
Singapore Dollar	1,028	2,059
Philippine Peso	86	89
Renminbi	9,836	9,896
US Dollar	4,629	5,130

A 10% (2013: 10%) weakening of the above currencies against the functional currency of each of the Group's entities at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, in particular, interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent the effect of the Group's and the Company's profit after tax and revenue reserve measured in the respective foreign currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)**(f) Fair value measurement**

- (i) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation techniques as follows:

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

	Fair value measurements as at 31 December 2014 categorised into				Fair value measurements as at 31 December 2013 categorised into			
	Fair value at 31 December 2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Fair value at 31 December 2013 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
	Recurring fair value measurements							
Asset:								
The Group								
Equity securities held for trading:								
- Listed	89,948	89,948*	-	-	94,995	94,995*	-	-
- Unlisted	21,249	1,683**	-	19,566***	19,047	6,519**	-	12,528***
	111,197	91,631	-	19,566	114,042	101,514	-	12,528
The Company								
Equity securities held for trading:								
- Listed	89,948	89,948*	-	-	94,995	94,995*	-	-
- Unlisted	19,566	-	-	19,566***	12,528	-	-	12,528***
	109,514	89,948	-	19,566	107,523	94,995	-	12,528

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value measurement (cont'd)

(i) Financial instruments measured at fair value (cont'd)

* Fair value of listed equity securities is based on quoted market prices of the listed equity securities at the end of the reporting period without any deduction for transactions costs.

** This unlisted equity securities relate to the Group's defined contribution plan. The plan invests in listed securities and hence the fair value of the plan follows the fair value of the underlying securities which can be measured using quoted price (unadjusted) in active markets.

*** The fair value of this unlisted held-for-trading equity securities is determined based on the net asset value of the fund, which had underlying unlisted investments categorised as Level 3 in the fair value hierarchy. The fair value of such underlying investments is determined based on inputs such as contractual agreements, current and projected operating performance, rounds of financing and third-party transactions, discounted cash flow analysis and market-based information, including comparable company transactions, trading multiples and changes in market outlook, among other factors.

During the years ended 31 December 2014 and 31 December 2013, there were no transfers between levels.

The movement in the Level 3 financial instruments measured at fair value is as follows:

Financial assets at fair value through profit or loss

	2014 HK\$'000	2013 HK\$'000
The Group and the Company		
At 1 January	12,528	7,668
Net unrealised gain recognised in profit or loss	7,038	4,860
At 31 December	<u>19,566</u>	<u>12,528</u>

The gain for the period recognised in profit or loss of the unlisted equity securities is presented in "other net (losses)/gains" in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)**(f) Fair value measurement (cont'd)**

- (i) Financial instruments measured at fair value (cont'd)

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. For fair value measurement in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

	Fair value HK\$'000	Effect on fair value	
		Favourable changes HK\$'000	Unfavourable changes HK\$'000
Financial assets at fair value through profit or loss			
2014			
Equity securities	19,566	16	(16)
2013			
Equity securities	12,528	20	(20)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated based on the recent fluctuation in the underlying equity prices of the equity investment.

- (ii) Financial instruments not measured at fair value but for which the fair value is disclosed

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 31 December 2013 except for available-for-sale equity securities and fixed rate borrowings.

- Fair value information has not been disclosed for the Group's available-for-sale equity securities that are carried at cost of HK\$33.0 million (2013: HK\$33.0 million) because fair value cannot be measured reliably. These equity securities represent the capital contribution in a fund that is not quoted on any market. The Group does not intend to dispose this investment in the foreseeable future.
- The carrying amounts, fair values and the level of fair value hierarchy of the fixed rate borrowings are as follows:

	Carrying amounts HK\$'000	Fair value HK\$'000	Fair value measurements categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
2014	(31,363)	(31,669)	-	(31,669)	-
2013	(32,113)	(35,995)	-	(35,995)	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value measurement (cont'd)

- (ii) Financial instruments not measured at fair value but for which the fair value is disclosed (cont'd)

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The interest rate used is as follows:

	The Group	
	2014	2013
Fixed rate borrowings	<u>4.24%</u>	<u>2.8%</u>

30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere, there were the following material related party transactions during the year:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Dividend income received from affiliated companies	3,379	1,802
Income received from provision of hospitality and other related services to affiliated companies	7,975	3,773
Tax service fee paid to an affiliated company	(509)	(403)
Secretarial service fee paid to an affiliated company	(1,392)	(177)
Consultation fee paid to an affiliated company	(611)	–
Accounting fee paid to an affiliated company	(367)	(374)

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	<u>6,424</u>	<u>10,004</u>

Total remuneration is included in the administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

31. COMMITMENTS

(a) Capital commitments not provided for in the financial statements were as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Commitment to make an investment in BEA Blue Sky Real Estate Fund L.P. (Note 15)	-	160,778

(b) At 31 December 2014 and 31 December 2013, the total future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Within 1 year	1,494	1,515
After 1 year but within 5 years	1,191	2,843
	2,685	4,358

The above leases run for an initial period between one to three years. One of the leases includes an option to renew the lease on expiry. The leases do not include any contingent rental.

32. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate holding company is City Developments Limited. The Directors consider the ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd.. Both companies are incorporated in the Republic of Singapore. The immediate holding company produces financial statements available for public use.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 14 contains information about the assumptions and the risk factors relating to impairment of intangible assets (including goodwill).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

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

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, <i>Defined benefit plans: Employee contributions</i>	1 July 2014
Annual Improvements to HKFRSs 2010–2012 cycle	1 July 2014
Annual Improvements to HKFRSs 2011–2013 cycle	1 July 2014
Amendments to HKFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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

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