中國興業控股有限公司

China Investments Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)

2014
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Executive Directors	He Xiangming *(Chairman)* Su Wenzhao *(Managing Director)* You Guang Wu *(Director)* Huang Zhihe *(Deputy Managing Director)* Wang Xin *(Deputy Managing Director)*
Independent Non-Executive Directors	Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Audit Committee	Chan Kwok Wai *(Chairman)* Chen Da Cheng Deng Hong Ping
Remuneration Committee	Chen Da Cheng *(Chairman)* Chan Kwok Wai Deng Hong Ping He Xiangming You Guang Wu
Nomination Committee	He Xiangming *(Chairman)* You Guang Wu Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal Place of Business	Unit 601, Tsim Sha Tsui Centre 66 Mody Road Tsimshatsui Kowloon, Hong Kong
Registrar	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Branch Registrar	Tricor Progressive Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION (Continued)

Principal Bankers	Bank of China Bank of Communications Bank of East Asia Limited OCBC Wing Hang Bank Limited
Solicitors	Woo, Kwan, Lee & Lo
Auditor	HLM CPA Limited *Certified Public Accountants*
Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2014, the Group completed the preparation of lease financing project and the acquisition of cogeneration of thermal power and heat project, successfully making its first step towards business transformation, which not only reversed the Group's loss situation last year, but also laid the foundation and direction for the future business development of the Group. For the year ended 31 December 2014, the Group recorded total turnover of HK$32,448,000, representing an increase of 1.2% as compared to that of the same period last year. The Group recorded a profit of HK$81,038,000. After deducting the revaluation gain from issuance of consideration shares of HK$74,690,000, the Group's operating profit was HK$6,348,000.

HOTEL BUSINESS

Due to heavy-handed crackdowns on use of public funds for hospitality purposes, number of customers coming for meetings continued to shrink. During the period, Guilin Plaza proactively explored new markets, enhanced network and reinforced sales of group tourists. There was a slight increase for the number of customers for the year. However, price reductions among hotels continued and the room rates continued to be under pressure. Guilin Plaza's overall revenue for the year recorded a decline. For the year ended 31 December 2014, Guilin Plaza recorded turnover of HK$23,669,000, representing a decrease of 8% as compared to that of last year, and operating loss of HK$5,832,000, representing an increase of 192.5% as compared to that of last year.

PROPERTY INVESTMENT

For the year ended 31 December 2014, the Group's total property sales amounted to HK$927,000 and property sales operating profit amounted to HK$558,000. Property rental income for 2014 amounted to HK$2,677,000, representing an increase of 14.9% over that of last year. Property occupancy rate was 70.2%, representing a decrease of 1.6% over that of the same period last year.

In November 2014, the Group obtained vacant possession of Zhongkong Tower* (中控大廈) (also known as Block 1 of Guangdong-Hongkong Finance & Technology Park (粵港金融科技園)) located at Nanhai District, Foshan City, which is under property management planning and leasing planning. It is expected that the Group will have gradual increase in rental income.

Subsequent to the reporting period, Taily International Traders Limited, a wholly-owned subsidiary of the Company, entered into a formal sale and purchase agreement on 13 January 2015, acquiring the premises of flats 1, 14 and 15, 5th floor, Wing On Plaza, 62 Mody Road, Kowloon, Hong Kong, for a total consideration of HK$72,900,000 million. The acquisition was completed on 18 March 2015. Such property is currently leased back to the vendor for a term of 12 months at a total rent of HK$1,900,000 million. Upon expiration of the lease term, such premises will be used as the Group's headquarters in Hong Kong.

* *For identification purpose only*

CHAIRMAN'S STATEMENT (Continued)

GAINS ON INVESTMENTS IN ASSOCIATES

The establishment of 廣東粵科融資租賃有限公司 Guangdong Financial Leasing Co., Ltd.* ("Guangdong Financial Leasing"), a 25%-owned associate of the Group, was completed in early 2014 and Guangdong Financial Leasing commenced operation in April 2014. For the period from April 2014 to December 2014, Guangdong Financial Leasing recorded net operating profit of HK$27,852,000, contributing a profit of HK$6,963,000 to the Group.

On 13 October 2014, the Company completed the acquisition of the entire equity interest of Southern Limited, and in turn was indirectly interested in 32.636% of the equity interest of 南海長海發電有限公司 Nanhai Changhai Power Company Limited* ("Changhai Power"). Changhai Power's net operating profit for 2014 was HK$164,562,000, representing an increase of 4.8% compared with 2013. Investment profit attributable to the Group was HK$15,071,000.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2014, the Group had total assets of HK$1,458,734,000 (31 December 2013: HK$715,412,000). The Group had bank loans and other long-term debts of HK$336,337,000 (31 December 2013: Nil). Net assets amounted to HK$995,582,000 (31 December 2013: HK$592,058,000). Gearing ratio (being bank loans and long-term debts divided by total assets) was 23.1% (31 December 2013: 0%). Net assets per share amounted to HK58.14 cents (31 December 2013: HK49.82 cents).

The Group's net current assets amounted to HK$94,776,000 (31 December 2013: HK$452,287,000). Current ratio (being current assets divided by current liabilities) was approximately 1.39 times (31 December 2013: 4.67 times), while bank balances and cash amounted to HK$267,826,000 (31 December 2013: HK$378,888,000). There will be sufficient funds to meet the capital requirements for the Group's operations and new projects or business development in the future.

PLEDGE OF ASSETS

For the year ended 31 December 2014, certain bank deposits of the Group with a carrying amount of approximately HK$122,467,000 and investment property with a consideration of approximately HK$252,500,000 were pledged to bank as the security for the bank borrowings granted to the Group (2013: no mortgage borrowings).

* *For identification purpose only*

CHAIRMAN'S STATEMENT (Continued)

FOREIGN EXCHANGE EXPOSURE

The Group's main operating income and costs are denominated in Renminbi ("RMB"). During the Group's operating process, the foreign exchange fluctuation of the income and costs can be mutually offset. However, due to the Hong Kong based Group putting a great deal of business loans into wholly-owned subsidiaries and the great amount of RMB-denominated monetary assets owned by the Group, the RMB appreciation or depreciation should bring exchange gain and loss respectively. It is expected that, when the exchange rate of Renminbi to HK dollar appreciates or depreciates by 5%, it will cause an increase or decrease of approximately HK$17,621,000 in the profit of this year. In retrospect of the past few years, Renminbi was always in the trend of appreciation, and gradually became stable until the second half of 2008 and still maintained upward momentum. But the exchange rate of RMB showed a downward trend this year, resulting in an exchange loss of approximately HK$8,920,000 by the Group. The Board believes that the chance of significant Renminbi depreciation will not be high and will not bring material adverse foreign exchange exposure to the Group in the long run. Accordingly, it is unnecessary for the Group to hedge against any foreign exchange risk.

OUTLOOK

2014 was the first year since the Group's business transformation. Two associates provided satisfactory profit contribution to the Group, which not only reinforced the financial base of the Group, but also further strengthened the Group's investment confidence in relevant industries. The Directors believe that the associates will continue to bring investment return to the Group.

The Group will maintain its stable principle, optimise the Group's assets, improve operational efficiency, continue to carefully identify and screen investment projects with good prospects and high potentials for creating additional value, so as to fulfill the Group's plan of business transforming and upgrading, achieving the goals of continued growth in the Group's business and creating returns for shareholders.

CORPORATE GOVERNANCE REPORT

China Investments Holdings Limited (the "Company") puts great emphasis on corporate governance and is committed to maintaining the high standard of corporate governance which is reviewed and strengthened on a continued basis. The board of directors (the "Board") and the management of the Company maintains and enhances the policies and practices of the Company in a timely, transparent, effective and responsible manner, so as to maintain good, solid and reasonable corporate governance structure. The Board believes that the Company and shareholders as a whole can derive maximum benefits from good corporate governance.

The Company has adopted all the code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code on corporate governance.

For the year ended 31 December 2014, the Company has complied with all code provisions under the CG Code.

CORPORATE GOVERNANCE STRUCTURE

The Company's corporate governance structure includes the Board and three committees under the Board, namely audit committee, remuneration committee and nomination committee. The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

THE COMPOSITION OF THE BOARD

The Board currently comprises eight directors, including five executive directors who have extensive experience in the Company's business, and three independent non-executive directors who possess appropriate professional qualifications. The current composition of the Board is set out below:

Executive Directors
Mr. He Xiangming *(Chairman)*
Mr. Su Wenzhao *(Managing Director)*
Mr. You Guang Wu *(Director)*
Mr. Huang Zhihe *(Deputy Managing Director)*
Ms. Wang Xin *(Deputy Managing Director)*

Independent Non-Executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

Every director has sufficient time and attention to deal with the affairs of the Group. Each director discloses to the Company for the number and nature of offices held in public companies or organizations and other significant commitments every year. The Board considers the composition of executive and non-executive directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of shareholders and the Group.

CORPORATE GOVERNANCE REPORT (Continued)

The independent non-executive directors provide the Group with diversified experience and expertise. Their suggestions, opinions and participation in the meetings of the Board and each committee bring independent opinions, suggestions and judgments on issues relating to the Group's strategy, development, operations, performance, risk control and conflicts of interest, to ensure that the interests of all shareholders are taken into account.

In accordance with the bye-laws of the Company, subject to the manner of retirement by rotation of directors as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any director may be appointed or engaged, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

Individual information and responsibilities of all directors are contained in this annual report on pages 19 to 21.

There are no business, financial, family and other relevant interests among directors.

THE OPERATION OF THE BOARD

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by the managing director, the management is responsible for implementing the strategies and plans developed by the Board. The Board authorizes the management to manage the day-to-day business operations of the Group. Each committee under the Board has its own specified terms of reference which clearly define their powers and responsibilities.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

The Board also performs the obligations regarding corporate governance, including:

1. develop and review the Company's policies and practices on corporate governance;

2. review and monitor the training and continuous professional development of directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT (Continued)

4. develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

5. review the Company's compliance with Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Listing Rules.

The Board convenes at least four regular meetings each year (approximately once each quarter) and will convene meetings when necessary. When a regular board meeting is convened, the Board papers will be sent to directors for review before the meeting pursuant to the deadline as required by the Listing Rules and the code provisions so that directors can keep abreast of the information to perform their duties and responsibilities.

All members of the Board have actively participated in the Company's Board meetings to discuss the overall strategy and business of the Group. The Board convened 11 meetings in 2014. The attendance of directors is as follows:

Name of Directors	Attendance/ Number of Meetings	Attendance Rate
Executive Directors		
Mr. He Xiangming *(Chairman)* (appointed on 23 July 2014)	4/4	100%
Mr. Su Wenzhao *(Managing Director)*	11/11	100%
Mr. You Guang Wu *(Director)*	11/11	100%
Mr. Huang Zhihe *(Deputy Managing Director)*	11/11	100%
Ms. Wang Xin *(Deputy Managing Director)* (appointed on 1 May 2014)	5/6	83%
Mr. Wu Yongqing *(Deputy Managing Director)* (resigned on 13 March 2014)	4/4	100%
Independent Non-Executive Directors		
Mr. Chan Kwok Wai	11/11	100%
Mr. Chen Da Cheng	10/11	91%
Mr. Deng Hong Ping	11/11	100%

Note: On 13 March 2014, Mr. Wu Yongqing resigned as an executive director and deputy managing director of the Company. On 1 May 2014, Ms. Wang Xin was appointed as an executive director and deputy managing director of the Company. On 23 July 2014, Mr. You Guang Wu resigned as the chairman of the Board of the Company and Mr. He Xiangming was appointed as an executive director and the chairman of the Board of the Company.

In addition, during the year under review, an independent board committee comprising all the independent non-executive directors had been established for a major and connected transaction. The independent board committee held one meeting and all the independent non-executive directors were present at the meeting.

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Any director is not allowed to participate in determining his/her own remuneration. The remuneration received by directors from the Group during the year is set out in note 14 to the financial statements.

CORPORATE GOVERNANCE REPORT (Continued)

The Board has set up an independent professional consulting procedure for directors and upon reasonable request, the directors are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

ROLES AND DUTIES OF CHAIRMAN AND MANAGING DIRECTOR

The chairman and the managing director have different roles. The chairman is responsible for the operation of the Board and the managing director is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority so that they will not concentrate on a single individual.

In 2014, the chairman was acted by Mr. You Guang Wu (until 23 July 2014) and Mr. He Xiangming (from 23 July 2014) and the managing director was Mr. Su Wenzhao. The deputy managing directors were Mr. Huang Zhihe, Mr. Wu Yongqing (until 13 March 2014) and Ms. Wang Xin (from 1 May 2014).

The chairman of the Board is principally responsible for leading the Board and ensures the Board acts in the best interests of the Company. The chairman shall ensure the Board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The chairman is responsible for convening board meetings, consulting, determining and approving the agenda of each board meeting, and ensuring that directors are provided sufficient information on current matters in a timely manner. The chairman is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

The managing director is principally responsible for the daily operation and management of the Group's overall operations and implementing the Board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the Board's objectives and decisions. In addition, the managing director is also responsible for coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

TRAININGS OF DIRECTORS

All newly appointed directors are provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations. The Company Secretary and representative of auditor update directors on the latest development and changes regarding the Listing Rules, accounting standards and other relevant regulatory requirements from time to time.

In addition, the directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each director to discharge their duties.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the directors, all directors have participated in continuous professional development for the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT (Continued)

*During the year under review, all directors of the Company participated in continuous professional development to update their knowledge and skills by reading materials relevant to the directors' duties and responsibilities and by attending the training programs organised by professional training institutions. In addition, Mr. Chan Kwok Wai had also attended talks and seminars in relation to the knowledge of the Listing Rules and the new Companies Ordinance etc. organised by different professional institutions.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the member of the senior management by band for the year ended 31 December 2014 is set out below:

Number of Personnel	Remuneration (HK$)
1	$500,001 to $1,000,000

Further particulars regarding directors' remuneration as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 14 to the financial statements.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. After making specific enquiries, all directors have confirmed that, in respect of the year ended 31 December 2014, they have complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors with extensive experience in accounting or legal aspects. The audit committee is mainly responsible for reviewing the financial statements and annual reports and accounts of the Company, providing advice to the Board, and making recommendations on the appointment and remuneration of the auditor of the Company and any matters related to the termination of appointment. Mr. Chan Kwok Wai is the chairman of the audit committee and is responsible for reporting the meeting results and recommendations of the audit committee to the Board after each meeting.

CORPORATE GOVERNANCE REPORT (Continued)

In 2014, the audit committee convened three meetings. Members and their attendance are as follows:

Name of Members	Attendance/ Number of Meetings	Attendance Rate
Chan Kwok Wai *(Chairman of the audit committee)*	3/3	100%
Chen Da Cheng	3/3	100%
Deng Hong Ping	3/3	100%

Tasks undertaken by the audit committee during the year included reviewing the 2013 audited financial statements and the annual results announcement, reviewing the interim report and the interim results announcement for the six months ended 30 June 2014, considering the accounting standards adopted, reviewing the financial reporting, internal control and risk management system, reviewing the management letter about audit work of the auditor submitted to the management and the response of the management and the basis of opinion made by the auditor in their report, etc.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for reviewing and approving remuneration plans for directors and senior management, determining the remuneration package of executive directors and senior management, including benefits, pension interests and the payment of compensation. Mr. Chen Da Cheng is the chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the Board after each meeting.

In 2014, the remuneration committee convened six meetings. Members and their attendance are as follows:

Name of Members	Attendance/ Number of Meetings	Attendance Rate
Chen Da Cheng *(Chairman of the remuneration committee)*	5/6	83%
Chan Kwok Wai	6/6	100%
Deng Hong Ping	6/6	100%
He Xiangming (appointed on 23 July 2014)	1/1	100%
You Guang Wu	6/6	100%
Su Wenzhao (resigned on 23 July 2014)	5/5	100%

Tasks undertaken by the remuneration committee during the year included reviewing the emoluments and incentive scheme of the Group, determining the emoluments of the executive directors and senior management and considering the incentive payment for the year ended 2013 and making recommendations to the Board. The remuneration committee also ensures that no director or senior management member determines his/her own remuneration.

CORPORATE GOVERNANCE REPORT (Continued)

The remuneration policy of the Group is to determine the remuneration based on the responsibilities, qualifications and working performance of staff (including directors). In addition, the Group adopted the share option scheme for a term of 10 years on 26 April 2013. Currently, the Group has not granted any share options.

NOMINATION COMMITTEE

The nomination committee consists of three independent non-executive directors and two executive directors. The nomination committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of independent non-executive directors under the requirements set out in Rule 3.13 of the Listing Rules.

In 2014, the nomination committee convened three meetings. Members and their attendance are as follows:

Name of Members	**Attendance/ Number of Meetings**	**Attendance Rate**
He Xiangming *(Chairman of the nomination committee)* (appointed on 23 July 2014)	0/0	N/A
You Guang Wu (resigned as chairman on 23 July 2014)	3/3	100%
Chan Kwok Wai	3/3	100%
Chen Da Cheng	2/3	67%
Deng Hong Ping	3/3	100%
Su Wenzhao (resigned on 23 July 2014)	3/3	100%

The work carried out by the nomination committee during the year included reviewing the Board structure of the Company, assessing the independence of independent non-executive directors, considering and reviewing the qualification and experience of candidates for directors and making recommendations to the Board.

During the year, the nomination committee reviewed the appointment of new executive director and deputy managing director of the Company. On 13 March 2014, Mr. Wu Yongqing resigned as an executive director and deputy managing director of the Company. On 1 May 2014, Ms. Wang Xin was appointed as the Company's executive director and deputy managing director. On 23 July 2014, Mr. He Xiangming was appointed as the Company's executive director, the chairman of the Board, the chairman of the nomination committee and a member of the remuneration committee. Mr. You Guang Wu resigned as the chairman of the Board and the chairman of the nomination committee, but is still an executive director of the Company and a member of the nomination committee and remuneration committee. Mr. Su Wenzhao resigned as a member of the Company's nomination committee and remuneration committee.

CORPORATE GOVERNANCE REPORT (Continued)

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The nomination committee has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. The term of office of Mr. Chan Kwok Wai and Mr. Chen Da Cheng is for two years until 21 September 2016. The term of office of Mr. Deng Hong Ping is for two years until 5 April 2016. They are subject to the retirement and re-election requirements of the bye-laws of the Company.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board. With a view to maintaining competitive advantage, the Company sees increasing diversity at the Board level as an essential element. Therefore, the Company adopted the Board diversity policy on 14 August 2013. The policy set out that the nomination committee of the Company reviews and assesses the composition of the Board, makes recommendations to the Board on appointment of new directors of the Company, oversees the conduct of the annual review of the effectiveness of the Board in order to achieve the objective of Board diversity. In addition, mechanisms including supervising, reporting and policy reviewing etc. ensure that the Board diversity policy will be implemented effectively.

The nomination committee has reviewed the diversity of the Board of the Company and considered that there is no immediate need for setting up the measurable objectives. The nomination committee will review the board diversity policy from time to time to ensure that the policy will be implemented effectively.

INTERNAL CONTROL

The Board is responsible for maintaining a stable and effective internal control system for the Group. The system includes a defined management structure with limited authority to protect its assets from misappropriation, and ensures keeping appropriate accounting records so as to provide reliable financial information for internal use or for dissemination, as well as ensures compliance with the laws and regulations. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Group's operational system and risks existing in the course of arriving at the Group's objectives.

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2014 were effective. The review has also considered the sufficiency and adequacy of human resources, qualification, experience of staff of the accounting and financial reporting functions and their training programmes and budget. The results of the review and its recommendations had been submitted for consideration by the audit committee and the Board. The audit committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

CORPORATE GOVERNANCE REPORT (Continued)

COMPANY SECRETARY

The Company Secretary is Mr. Lo Tai On, who is engaged and appointed by the Company from an external secretarial services provider. The primary contact persons with the Company Secretary of the Company are Mr. He Xiangming (Executive Director and Chairman), Mr. You Guang Wu (Executive Director) and Ms. Chong Ching Mui (Assistant to Chairman). During the year, the Company Secretary of the Company duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility in preparing financial statements of the Group.

The financial department of the Company is managed by a qualified accountant. With the assistance of the financial department, the Board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

For the year ended 31 December 2014, the audit fee was approximately HK$1,000,000 and the non-audit services fee was approximately HK$1,272,000.

The statement of reporting responsibility issued by HLM CPA Limited, the auditor of the Company, in respect of the financial statements of the Group is set out in the independent auditor's report on pages 27 to 28.

COMMUNICATION WITH SHAREHOLDERS

The Company understands the importance of good communication with shareholders and investors, and recognizes the value of providing current and relevant information to shareholders and investors. The Board has established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communication, with the objective of ensuring that both shareholders and investors can obtain the complete, identical and current information of the Company in a timely manner.

The Company has maintained communication with shareholders through the annual general meeting or other general meetings and encourages them to participate in general meetings. Registered shareholders receive notices of general meetings by post. The notice of general meeting contains the agenda, the proposed resolutions and the voting form. Any registered shareholder is entitled to attend the annual general meeting and special general meetings provided that their shares must be registered in the register of members. Shareholders who are unable to attend the general meeting can fill in the proxy form attached with the notice of general meeting and return the same to the Company so as to appoint their representatives or the chairman of the meeting as their proxies.

CORPORATE GOVERNANCE REPORT (Continued)

At the annual general meeting held on 29 April 2014 and at the special general meetings held on 27 February 2014 and 16 July 2014, except for the absence of Mr. Chen Da Cheng at the annual general meeting, all of the directors were present to answer questions raised by shareholders and separate resolution in respect of each separate issue was proposed for shareholders to vote thereon. The Company appointed branch share registrar of the Company to act as scrutineers and to ensure votes cast are properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the bye-laws of the Company and the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for special general meetings requisitioned by the shareholders

Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**") shall have the right to require a special general meeting to be called and propose any matter to be considered at the general meeting of the Company. The Requisitionists may deposit the written requisition for special general meeting (which shall specify the full name of the Requisitionists, the business and proposal to be considered at the general meeting of the Company, and shall be signed by the Requisitionists) to the principal place of business of the Company for the attention of the Board. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting in specified days as provided by the bye-laws of the Company and the Listing Rules, the Requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Procedures for shareholders to propose a person for election as a director

In accordance with Bye-law 88 of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless not less than seven (7) days before the date appointed for the general meeting there shall have been lodged at the Office or at the head office notice in writing signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected provided that the period for lodgment of the aforesaid notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. For further information, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" published on the Company's website at http://chinainvestments.quamir.com.

CORPORATE GOVERNANCE REPORT (Continued)

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Bermuda Companies Act, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 100 of such registered shareholders can request the Company in writing to: (a) give to shareholders of the Company entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the principal place of business of the Company with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

For any enquiry to the Board, shareholders may put forward a written enquiry to the Company setting out details of contact (including name, address, telephone number and email address etc.) by the following means:

Address: Unit 601, Tsim Sha Tsui Centre, 66 Mody Road, Tsimshatsui, Kowloon, Hong Kong
Fax No.: 852-23013878
Email: general@cihl.com.hk

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 39 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29 and 30.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. Revaluation surplus amounting to HK$7,895,000 in current year (2013: a deficit of HK$538,000). Details of such revaluation are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year of the Group's property, plant and equipment are set out in note 19 to the financial statements.

Particulars regarding the Group's major properties are set out on pages 113 and 114.

SHARE CAPITAL

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

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

DIRECTORS' REPORT (Continued)

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on pages 34 and 35 respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company had no reserves available for cash distribution and/or distribution in specie, except that under the laws of Bermuda, the Company's share premium account, in the amount of approximately HK$725,199,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. He Xiangming *(Chairman)*	(appointed on 23 July 2014)
Mr. Su Wenzhao *(Managing Director)*	
Mr. You Guang Wu *(Director)*	
Mr. Huang Zhihe *(Deputy Managing Director)*	
Ms. Wang Xin *(Deputy Managing Director)*	(appointed on 1 May 2014)
Mr. Wu Yongqing *(Deputy Managing Director)*	(resigned on 13 March 2014)

Independent Non-Executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

In accordance with the provisions of the Company's Bye-laws, Mr. He Xiangming, Mr. Su Wenzhao, Ms. Wang Xin, Mr. Chan Kwok Wai and Mr. Chen Da Cheng shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The term of office of each independent non-executive director is two years.

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

He Xiangming, aged 48, was appointed as an executive director and chairman of the Board of the Company on 23 July 2014. Mr. He holds a master degree in Geography from South China Normal University. He has extensive experience in business management and environmental public utilities. Prior to joining the Company, Mr. He was the chairman of Grandblue Environment Co., Ltd. (a company listed on the Shanghai Stock Exchange). Mr. He is the chairman of the nomination committee and a member of the remuneration committee of the Company. He is also the chairman of the board of directors of Guilin Plaza, the chairman of the board of directors and legal representative of Foshan City Nanhai Canmanage Investments Holdings Limited, and a director in a number of subsidiaries of the Company.

Su Wenzhao, aged 59, was appointed as an executive director of the Company on 20 January 2009 and the managing director of the Company on 26 February 2009. Mr. Su is also a director in a number of subsidiaries of the Company. Mr. Su graduated from Sun Yat-sen University, with a diploma in philosophy, and has extensive management experience of more than 25 years.

You Guang Wu, aged 50, joined the Company as independent non-executive director of the Company in September 2004 and was redesignated as an executive director and was appointed vice chairman of the board of the Company on 6 April 2006. On 26 February 2009, Mr. You was appointed as the chairman of the board of the Company and, on 23 July 2014, resigned as the chairman of the board of the Company. Mr. You is a member of the nomination committee and the remuneration committee of the Company, and a director in a number of subsidiaries of the Company. Mr. You is a senior accountant in the PRC. He holds a master degree in economics, and is now a doctorate candidate in finance of Zhongnan University of Economics and Law. He has accumulated extensive experience in investment, financing and financial management.

Huang Zhihe, aged 46, was appointed as an executive director and the deputy managing director of the Company on 5 August 2013. Mr. Huang is also the managing director of Foshan City Nanhai Canmanage Investments Holdings Limited and a director in a number of subsidiaries of the Company. Mr. Huang holds a bachelor degree in industrial management and engineering and a master of business administration from South China University of Technology. He has extensive experience of investment and development in real estate and management in hotel industry.

Wang Xin, aged 43, was appointed as an executive director and the deputy managing director of the Company on 1 May 2014. Ms. Wang holds a master degree in economics from Jiangxi University of Finance and Economics. She has extensive experience in corporate business operation, strategic financial planning and management, team building and management innovation.

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Chan Kwok Wai, aged 56, was appointed as an independent non-executive director of the Company in September 2004 and is the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 30 years of experience in the finance and accounting industry. Mr. Chan is also currently independent non-executive director of 4 listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited and Far East Consortium International Limited.

Chen Da Cheng, aged 50, was appointed as an independent non-executive director of the Company in September 2004 and is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Chen graduated from the Sun Yat-sen University, PRC. He is a practicing solicitor in the PRC and the chairman of the Foshan Lawyers Association. He has over 25 years of experience in legal services.

Deng Hong Ping, aged 41, was appointed as an independent non-executive director of the Company on 6 April 2006 and is a member of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Deng holds a Bachelor Degree in marine engineering of the Ocean University of China in Guangdong and graduated in master of economics and legal studies of Huazhong University of Science and Technology. Mr. Deng is a practicing lawyer in the PRC and he has accumulated extensive experience in legal sectors, particularly in enterprises mergers and acquisition and debt reorganization.

Financial Controller

Ng Chun Hing, aged 50, was appointed as the qualified accountant of the Company in July 2004 and was appointed as the financial controller of the Company on 1 March 2011, and is a director in a number of subsidiaries of the Company. Mr. Ng graduated from Curtin University of Technology with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a Master of Professional Accounting from The Hong Kong Polytechnic University. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant Member of the CPA Australia. He has over 20 years of experience in the accounting and financing field.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are regarded as members of the senior management of the Group.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Nature of Interest	Number of ordinary shares held	Approximate percentage of total issued share capital as at 31 December 2014
He Xiangming	Beneficial owner	Personal	1,441,000	0.08%

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Names	Number of shares	*Notes*	Capacity	Approximate percentage of total issued share capital as at 31 December 2014
廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*)	1,091,943,493	*1*	Corporate interest	63.77%
Leung Siu Fai	151,610,779	*2*	Corporate interest	8.85%
Mighty Management Limited	151,610,779	*2*	Beneficial owner	8.85%
Nam Keng Van Investment Company Limited	121,864,487	*3*	Beneficial owner	7.12%
Cui Guo Jian	121,864,487	*3*	Corporate interest	7.12%
Pu Jian Qing	121,864,487	*3*	Corporate interest	7.12%

Notes:

1. The 1,091,943,493 shares comprise: (i) 873,217,178 shares held by Prize Rich Inc. which was wholly-owned by 廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*); and (ii) 218,726,315 new shares to be allotted and issued by the Company to Prize Rich Inc. upon the full exercise of conversion rights attaching to the convertible bonds in the principal amount of HK$166,232,000 at a conversion price of HK$0.76 per share.

2. These 151,610,779 shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.

3. These 121,864,487 shares were held by Nam Keng Van Investment Company Limited which was wholly-owned by Mr. Cui Guo Jian and Mr. Pu Jian Qing equally.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

* *For identification purpose only*

CONNECTED TRANSACTION

Details of the connected transaction of the Company during the year are as follows:

On 5 June 2014 (the "Transaction Date"), China Investments Limited ("CIL"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 佛山市南海區公有資產管理委員會辦公室 (Office of the Nanhai District of Foshan City Public Assets Administration Commission*) (the "Vendor"), 陳小華 (Chen Xiaohua*), 黃子濃 (Huang Zinong*) and 王永哲 (Wang Yongzhe*) (collectively as the "Registered Holders") and Prize Rich Inc. ("Prize Rich"), pursuant to which CIL conditionally agreed to acquire from the Vendor the 10,000 ordinary shares of Southern Limited (the "Sale Shares"), representing its entire issued share capital, at the consideration of HK$497,400,000, of which HK$331,168,000 would be satisfied by the issue of 524,000,000 shares of the Company to Prize Rich at the price of HK$0.632 per share, and HK$166,232,000 would be satisfied by the issue of the convertible bonds to Prize Rich, which may be converted into 218,726,315 shares of the Company upon full exercise of the conversion rights under the convertible bonds at the initial conversion price of HK$0.76 per share (the "Acquisition").

The principal asset of Southern Limited is its holding of approximately 32.636% equity interest in 南海長海發電有限公司 (Nanhai Changhai Power Company Limited*), a company incorporated in the People's Republic of China ("PRC") which is principally engaged in the cogeneration of thermal power and heat and the operation of a combined heat and power plant in Nanhai District, Foshan City, Guangdong Province, the PRC.

As at the Transaction Date,

(a) (i) the Registered Holders were the registered holders of 60%, 20% and 20% respectively of the issued share capital of Southern Limited; (ii) each of the Registered Holders confirmed that he was holding the Sale Shares in Southern Limited on trust for and on behalf of the Vendor; and (iii) the Registered Holders were directors of the Vendor group of companies. Save for the above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Registered Holders were third parties independent of the Group and its connected persons under the Listing Rules.

(b) the Vendor was beneficially interested in the entire issued share capital of Prize Rich. Prize Rich was a substantial shareholder and a connected person of the Company under the Listing Rules.

(c) Prize Rich was the substantial shareholder holding 349,217,178 shares (representing approximately 29.39% of the then issued share capital of the Company) and, upon completion, 873,217,178 shares (representing approximately 51.00% of the then issued share capital of the Company as enlarged only by the issue of the consideration shares).

Assuming full conversion of the convertible bonds at the initial conversion price upon completion, Prize Rich would hold 1,091,943,493 shares (representing approximately 56.55% of the then issued share capital of the Company as enlarged by the issue of the consideration shares and conversion shares). In the absence of the whitewash waiver ("Whitewash Waiver") granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegate(s), Prize Rich and the parties acting in concert with it (if any) would be obligated to make a mandatory general offer for all the shares not already owned or agreed to be acquired by it and parties acting in concert with it (if any) pursuant to the Hong Kong Code on Takeovers and Mergers as a result of the issue of consideration shares.

* *For identification purpose only*

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTION (Continued)

The Acquisition constituted a major and connected transaction for the Company under the Listing Rules. The Acquisition and Whitewash Waiver were approved by the independent shareholders of the Company at the special general meeting held on 16 July 2014. The Acquisition was completed on 13 October 2014. Details of the transaction are set out in the announcements dated 5 June 2014 and 13 October 2014 and the circular dated 30 June 2014 of the Company. The Company has complied with the relevant disclosure requirements in accordance with the Listing Rules.

SHARE OPTION SCHEME

A share option scheme was adopted by shareholders of the Company at the annual general meeting held on 26 April 2013 (the "Share Option Scheme"). The Share Option Scheme is for a term of 10 years from the date of adoption. No option has been granted since the adoption of the Share Option Scheme.

The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contribution or future contribution to the Group and to strengthen the many long-term relationships that the participants may have with the Group.

For details of terms of the Share Option Scheme, please refer to note 32 to the financial statements.

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules of the Stock Exchange of Hong Kong Limited.

CHARITABLE DONATIONS

During the year, no charitable donations were made within the Group (2013: Nil).

DIRECTORS' REPORT (Continued)

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 13.2% of the Group's purchases and the five largest suppliers accounted for 30.8% of the Group's total purchases. The largest customer accounted for 16.0% of the Group's turnover and the five largest customers accounted for 21.1% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

EMPLOYEES

The total number of employees of the Group is approximately 193 (31 December 2013: 212). The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to the employees.

PRE-EMPTIVE RIGHTS

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

AUDITOR

On 16 January 2013, HLM & Co. resigned as the auditor due to change of entity status from partnership to limited company. At the special general meeting of the Company held on 22 February 2013, HLM CPA Limited was appointed as auditor. The consolidated financial statements for the year ended 31 December 2014 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming annual general meeting.

On behalf of the Board
China Investments Holdings Limited

He Xiangming
Chairman

Hong Kong, 25 March 2015

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF CHINA INVESTMENTS HOLDINGS LIMITED
中國興業控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 111, which comprise the consolidated and Company statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

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

HLM CPA Limited
Certified Public Accountants
Ng Fai Fiona
Practicing Certificate Number P4986
Hong Kong

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	**2014** **HK$'000**	2013 HK$'000
Continuing operations			
Turnover	6	**32,448**	29,616
Cost of sales and services		**(19,523)**	(15,421)
Gross profit		**12,925**	14,195
Other operating income	9	**7,662**	22,827
Selling and distribution costs		**(1,646)**	(982)
Administrative expenses		**(54,355)**	(31,291)
Increase/(decrease) in fair value of investment properties		**7,895**	(538)
Impairment loss on properties held for sale		**–**	(1,962)
Gain on bargain purchase	8	**86,388**	–
Share of profits of associates		**22,034**	–
Finance costs	10	**(5,229)**	–
Profit before taxation		**75,674**	2,249
Income tax credit/(expense)	11	**5,364**	(2,260)
Profit/(loss) for the year from continuing operations	12	**81,038**	(11)
Discontinued operations			
Loss from discontinued operations and compensation		**–**	(5,360)
Gain on written back of unclaimed liabilities and accounts payable legally time barred and lapsed, net of income tax		**–**	3,952
Net loss for the year from discontinued operations	13	**–**	(1,408)
Profit/(loss) for the year and attributable to owners of the Company		**81,038**	(1,419)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2014

	NOTES	**2014** **HK$'000**	2013 HK$'000
Other comprehensive (expense)/income, net of income tax			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of hotel properties		**2,897**	597
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,123)**	5,100
Share of exchange differences of associates		**(4,428)**	–
Other comprehensive (expense)/income for the year, net of income tax		**(5,654)**	5,697
Total comprehensive income for the year and attributable to owners of the Company		**75,384**	4,278
Earnings/(loss) per share	*17*		
From continuing and discontinued operations			
Basic		**HK6.22 cents**	(HK0.12 cent)
Diluted		**HK6.22 cents**	(HK0.12 cent)
From continuing operations			
Basic		**HK6.22 cents**	HK0 cent
Diluted		**HK6.22 cents**	HK0 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	18	**291,304**	11,422
Property, plant and equipment	19	**137,177**	128,349
Interests in associates	20	**694,625**	–
		1,123,106	139,771
Current assets			
Properties held for sale	22	**57,454**	57,578
Inventories	23	**1,284**	1,590
Trade and other receivables	24	**9,064**	137,584
Financial assets at fair value through profit or loss	25	**–**	1
Pledged bank deposit	26	**122,467**	–
Bank balances and cash	26	**145,359**	378,888
		335,628	575,641
Current liabilities			
Trade and other payables	27	**105,267**	104,683
Tax payables		**19,141**	18,671
Bank loans	28	**116,444**	–
		240,852	123,354
Net current assets		**94,776**	452,287
Total assets less current liabilities		**1,217,882**	592,058
Capital and reserves			
Share capital	31	**171,233**	118,833
Reserves		**824,349**	473,225
Total equity		**995,582**	592,058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Bank loans	28	**122,424**	–
Convertible notes	29	**97,469**	–
Deferred tax liabilities	30	**2,407**	–
		222,300	–
		1,217,882	592,058

The consolidated financial statements on pages 29 to 111 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

HE XIANGMING
Director

SU WENZHAO
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTES	**2014** **HK$'000**	2013 HK$'000
Non-current asset			
Investment in subsidiaries	21	**23,607**	23,607
Current assets			
Amounts due from subsidiaries		**728,553**	216,542
Deposits and other receivables		**1,127**	581
Pledged bank deposit	26	**122,467**	–
Bank balances and cash	26	**12,750**	122,602
		864,897	339,725
Current liabilities			
Other payables	27	**79,380**	79,185
Bank loans	28	**113,944**	–
		193,324	79,185
Net current assets		**671,573**	260,540
Total assets less current liabilities		**695,180**	284,147
Capital and reserves			
Share capital	31	**171,233**	118,833
Reserves		**426,478**	165,314
Total equity		**597,711**	284,147
Non current liabilities			
Convertible notes	29	**97,469**	–
		695,180	284,147

The financial statements on pages 29 to 111 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

HE XIANGMING
Director

SU WENZHAO
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Statutory reserve* HK$'000 *(note)*	Hotel properties revaluation reserve HK$'000	Exchange reserve HK$'000	Convertible note equity reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000
THE GROUP								
At 1 January 2013	118,833	484,159	31,753	40,304	(52,095)	–	(35,174)	587,780
Loss for the year	–	–	–	–	–	–	(1,419)	(1,419)
Other comprehensive income for the year								
– Surplus on revaluation of hotel properties	–	–	–	597	–	–	–	597
– Release of revaluation reserve of hotel properties	–	–	–	(1,321)	–	–	1,321	–
– Exchange differences arising on translation of foreign operations	–	–	–	–	5,100	–	–	5,100
Other comprehensive income for the year	–	–	–	(724)	5,100	–	1,321	5,697
Total comprehensive income for the year	–	–	–	(724)	5,100	–	(98)	4,278
At 31 December 2013	118,833	484,159	31,753	39,580	(46,995)	–	(35,272)	592,058
At 31 December 2013 and 1 January 2014	**118,833**	**484,159**	**31,753**	**39,580**	**(46,995)**	**–**	**(35,272)**	**592,058**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**81,038**	**81,038**
Other comprehensive income for the year								
– Surplus on revaluation of hotel properties	**–**	**–**	**–**	**2,897**	**–**	**–**	**–**	**2,897**
– Release of revaluation reserve of hotel properties	**–**	**–**	**–**	**(1,342)**	**–**	**–**	**1,342**	**–**
– Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(4,123)**	**–**	**–**	**(4,123)**
– Share of exchange differences of associates	**–**	**–**	**–**	**–**	**(4,428)**	**–**	**–**	**(4,428)**
Other comprehensive income for the year	**–**	**–**	**–**	**1,555**	**(8,551)**	**–**	**1,342**	**(5,654)**
Total comprehensive income for the year	**–**	**–**	**–**	**1,555**	**(8,551)**	**–**	**82,380**	**75,384**
Transfer to statutory reserve	**–**	**–**	**15,345**	**–**	**–**	**–**	**(15,345)**	**–**
Issue of ordinary shares	**52,400**	**241,040**	**–**	**–**	**–**	**–**	**–**	**293,440**
Recognition of equity component of convertible notes	**–**	**–**	**–**	**–**	**–**	**34,700**	**–**	**34,700**
At 31 December 2014	**171,233**	**725,199**	**47,098**	**41,135**	**(55,546)**	**34,700**	**31,763**	**995,582**

* *Items that will not be reclassified to profit or loss*

Note: Statutory reserve represents general reserve and enterprise expansion fund which are set up by subsidiaries and associates established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of Directors of the PRC subsidiaries and associates, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary and associates. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2014

	Attributable to owners of the Company				
	Share Capital HK$'000	**Share Premium** HK$'000	**Convertible notes equity reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
THE COMPANY					
At 1 January 2013	118,833	484,159	–	(315,319)	287,673
Loss for the year	–	–	–	(3,526)	(3,526)
At 31 December 2013 and 1 January 2014	**118,833**	**484,159**	**–**	**(318,845)**	**284,147**
Issue of ordinary share	**52,400**	**241,040**	**–**	**–**	**293,440**
Recognition of the equity component of convertible notes	**–**	**–**	**34,700**	**–**	**34,700**
Loss for the year	**–**	**–**	**–**	**(14,576)**	**(14,576)**
At 31 December 2014	**171,233**	**725,199**	**34,700**	**(333,421)**	**597,711**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit/(loss) for the year	**81,038**	(1,419)
Adjustment for:		
Interest income	**(6,980)**	(12,472)
Interest expense	**5,229**	–
Income tax (credit)/expenses	**(5,364)**	9,224
Share of profits of associates	**(22,034)**	–
(Gain)/loss arising on change in fair value of investment properties	**(7,895)**	538
Net gain on disposal of fibreboard business assets	**–**	(4,364)
Net gain on disposal of investment properties	**(352)**	–
Net gain on disposal of properties held for sale	**(206)**	–
Gain on disposal of financial assets through profit or loss	**(1)**	–
Loss on disposal of property, plant and equipment	**14**	28
Gain on bargain purchase	**(86,388)**	–
Depreciation of property, plant & equipment	**8,758**	8,593
Impairment loss on properties held for sale	**–**	1,962
Impairment loss on trade and other receivables	**10**	–
Gain on written back of unclaimed liabilities and accounts payable legally time barred and lapsed	**–**	(3,952)
Provision for loss in litigation written back	**–**	(288)
Net foreign exchange loss/(gain)	**8,920**	(8,948)
Operating cash flow before movements in working capital	**(25,251)**	(11,098)
Decrease in inventories	**306**	2,673
Increase in trade and other receivables	**(1,605)**	(3,493)
Increase/(decrease) in trade and other payables	**73**	(7,926)
Cash generated used in operations	**(26,477)**	(19,844)
Tax paid	**(4,523)**	(14,303)
Net cash generated used in operating activities	**(31,000)**	(34,147)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(2,077)**	(24,258)
Purchase of investment properties	**(121,955)**	–
Deposit paid for purchase of property	**(2,000)**	(130,657)
Decrease/(increase) in time deposits with more than three months to maturity when placed	**61,718**	(128,041)
Placement of pledged deposits	**(122,467)**	–
Compensation income received	**–**	149,315
Net proceeds from disposal of fibreboard business assets	**–**	11,261
Interest received	**8,459**	16,215
Net proceeds from disposal of investment properties	**477**	–
Net proceeds from disposal of property, plant and equipment	**49**	–
Net proceeds from disposal of properties held for sale	**330**	–
Net proceeds from disposal of financial assets through profit or loss	**2**	–
Acquisition of an associate	**(191,977)**	–
Net cash inflow on acquisition of a subsidiary	**4,907**	–
Net cash used in investing activities	**(364,534)**	(106,165)
Financing activities		
Interest paid	**(1,908)**	–
Proceeds from borrowings	**238,868**	–
Net cash generated from financing activities	**236,960**	–
Net decrease in cash and cash equivalents	**(158,574)**	(140,312)
Cash and cash equivalents at 1 January	**250,847**	375,422
Effect of foreign exchange rates changes	**(13,237)**	15,737
Cash and cash equivalents at 31 December	**79,036**	250,847
Analysis of the balances of cash and cash equivalents, being:		
Bank balances and cash	**145,359**	378,888
Less: time deposit with maturity over three months	**(66,323)**	(128,041)
	79,036	250,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Price Rich Inc, which was incorporated in the British Virgin Island ("BVI") and the ultimate holding company is Guangdong Nanhai Holding Investment Co., Ltd, which was incorporated in the People's Republic of China ("the PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

During the year, the principal activities of the Group are property development and investment, hotel operation and investment holding. The principal activities of the Company and its subsidiaries (the "Group") are described in note 39.

In prior years, the Group was also engaged in manufacturing and trading of fibreboards. These operations were discontinued in December 2011. Details are set out in note 13.

The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is their Company's functional and the Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

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

In the current year, the Group has adopted the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Presentation-Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

The adoption of the new or revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

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

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

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs 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 of the Group.

In addition, the requirements of Part 9,"Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Group's first financial year commencing after 3 March 2014 (that is, the Group'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.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value

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

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

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

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Business combination

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Property, plant and equipment

i. Hotel properties

Hotel properties are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of hotel properties are recognised in other comprehensive income and are accumulated in the properties revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of hotel properties arising on revaluations or impairment testing is recognised in other comprehensive income to the extent of the revaluation surplus in the properties revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

ii. Property, plant and equipment (other than hotel properties)

Property, plant and equipment (other than hotel properties) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than hotel properties) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Furniture, equipment and leasehold improvements	10% to 30%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

iii. Construction in progress

Construction in progress represents property, plant and equipment in the course of construction for production or for own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when it is completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into financial assets as loans and receivables and financial assets at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition. All regular purchases or sales of financial assets at fair value through profit or loss are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, prepayments and deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

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

For the financial assets, objective evidence of impairment could include:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Convertible notes

The component parts of the compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity components are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Other financial liabilities

Other financial liabilities (including borrowings are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

Impairment losses (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Hotel operations

Revenue arising from hotel operations is recognised when the relevant services are rendered.

(ii) Sales of goods

Sales of goods other than properties are recognised when goods are delivered and title has passed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(iii) Rental income

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

(iv) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

A government grant is recognised only when there is reasonable assurance that (a) the enterprise will comply with any conditions attached to the grant and (b) the grant has been approved and will be received. Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable. Grants related to income are presented as a credit in the consolidation income statement, under a general heading "Other income".

Retirement benefits scheme

Payments to defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Leases

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts or bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

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

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed that Group's investment properties portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. Moreover, the fair value of the Group's investment properties situated in PRC is lower than acquisition cost, and the Group's investment properties situated in Hong Kong are not subject to any income taxes on disposal of these investment properties. As a result, the Group has not recognized any deferred taxes on change in fair value of investment properties as the Group is not subject to any incomes taxes on disposal of its investment properties.

Deferred taxation on hotel properties

No deferred tax has been provided in respect of the valuation surplus relating to the Hotel Properties for the year as the carrying amount does not exceed the total investment cost and the director considered that there is no taxable flow of economic benefits to the Group.

Deferred taxation on convertible notes

As at 31 December 2014, the Group has a temporary differences of HK$71,662,000 arising from the initial recognition of the equity component of convertible note. No deferred tax liability has been recognised in relation to such temporary difference since the directors consider that such temporary difference is not probable deducted as no assessable profit will be available.

Key sources of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

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

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of property, plant and equipment

Machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the machinery and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2014, the Group reported no impairment loss for machinery, equipment and motor vehicles (2013: nil).

Impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgments on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

Fair value of the Group's properties

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The qualified external valuers establish the appropriate valuation techniques and inputs to the model. The financial controller reports the qualified external valuers' findings to the board of Directors of the Company every year to explain the cause of fluctuations in the fair value of the assets and liabilities.

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

Fair value of the Group's properties (Continued)

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5, 18 and 19 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

In making the estimate of fair value, the Group considers information from current prices in an active market for similar properties in the same location and condition and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group's properties were revalued as at 31 December 2014 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The carrying amount of investment properties and Hotel properties at 31 December 2014 was HK$291,304,000 and HK$112,000,000 respectively (2013: HK$11,422,000 and HK$112,000,000).

Net realizable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

Impairment of inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for the inventory based primarily on the latest invoice prices and current market conditions. The Group carries out a review of the inventories on a product-by-product basis at the end of each reporting periods and provide impairment on obsolete items.

Allowance for doubtful debts of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivable. Allowances are made on trade and other receivable whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the management investigate the relevant debts and report on the recoverability. Specific allowance is only made for those trade and other receivable that are unlikely to be collected. Where the expectation on the recoverability of trade and other receivable is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

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

Allowance for doubtful debts of trade and other receivables (Continued)

The carrying amount of trade and other receivable from continued operations at 31 December 2014 is HK$9,064,000 (2013: HK$137,584,000). Details of the recoverable amount calculation are disclosed in note 24 respectively.

5. FINANCIAL RISK MANAGEMENT

The Group's businesses are principally conducted in the PRC and Hong Kong and accordingly are subject to special considerations and several risks.

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Renminbi ("RMB") and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would be able to offset each other in the business operation of the Group. The Directors expect that Renminbi's exchange rate will remain stable and will not cause material adverse foreign exchange risk on the Group. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

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

	The Group At 31 December		**The Company At 31 December**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Denominated in Renminbi	**267,353**	510,611	**135,258**	122,447
Denominated in US dollars	**330**	123	**1**	3
	267,683	510,734	**135,259**	122,450
Liabilities				
Denominated in Renminbi	**167,901**	44,575	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Exposure (Continued)

The following shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars. The sensitivity analysis includes only RMB dollars denominated monetary items and adjusts their translation at the year and for a 5% change in RMB dollars rates. If there is a 5% increase/decrease in RMB against the Hong Kong currencies, the effect in the profit for the year is as follows:

	The Group At 31 December		The Company At 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/decrease in profit for the year	**17,621**	17,602	**6,763**	6,122

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of net debt (which includes bank loans and convertible notes) and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and accumulated losses).

The directors of the Company review the capital structure on a semi-annually basis. As part of this review, the directors consider the cost of capital and will balance its overall capital structure through the new shares issues as well as the issue of new debt or the redemption of existing debt.

The directors monitor capital on the basis of debt-to-equity ratio. This ratio is calculated based on net debt and equity. Net debt is calculated as total interest-bearing bank loans and debt component of Convertible Bonds less cash and bank balances and pledged bank deposits. The Group's policy is to keep the debt-to-equity ratio at a reasonable level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management (Continued)

The net debt-to-equity ratio at the end of the reporting period was as follows:

	2014	2013
	HK$'000	HK$'000
Debts (*Note 1*)	**336,337**	–
Bank balances and cash and pledged bank deposit	**(267,826)**	–
Net debt	**68,511**	–
Equity (*Note 2*)	**995,582**	–
Net debt to equity ratio	**7%**	–

Notes:

1) Debt comprises long-term and short-term bank loans and debt component of convertible notes as detailed in notes 28 and 29 respectively.

2) Equity includes all capital and reserves attributable to owners of the Company.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed interest rate borrowings from bank (see note 28 for details of these borrowings). The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bond of China base interest rate (PBOC base interest rate) arising from the Group's RMB dollar denominated borrowings. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting period. The analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: nil) increase or decrease in PBOC base interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: nil) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by HK$63,000 (2013: nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management

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

As at 31 December 2014, the Group's net current assets amounted to HK$94,776,000 (2013: HK$452,287,000), current ratio (being current assets divided by current liabilities) was approximately 1.39 times (2013: 4.67 times), while total current assets amounted to HK$335,628,000 (2013: HK$575,641,000), which is sufficient to meet the capital requirement of the Group's operations and development in the near future.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undisclosed cash flows.

	2014							
	Weighted average interest rate %	**On demand HK$'000**	**Within 1 year HK$'000**	**1-3 years HK$'000**	**4-5 years HK$'000**	**over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Trade and other payables	**–**	**105,267**	**–**	**–**	**–**	**–**	**105,267**	**105,267**
Tax payables	**–**	**19,141**	**–**	**–**	**–**	**–**	**19,141**	**19,141**
Borrowings								
– Short term borrowings	**2.20**	**116,363**	**–**	**–**	**–**	**–**	**116,363**	**113,944**
– Long term borrowings	**6.15**	**–**	**10,183**	**37,866**	**32,683**	**121,021**	**201,753**	**124,924**
Convertible notes issued on 13 October 2014	**14.16**	**–**	**3,325**	**6,649**	**172,881**	**–**	**182,855**	**97,469**
		240,771	**13,508**	**44,515**	**205,564**	**121,021**	**625,379**	**460,745**

	2013							
	Weighted average interest rate %	On demand HK$'000	Within 1 year HK$'000	1-3 years HK$'000	4-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Trade and other payables	–	104,683	–	–	–	–	104,683	104,683
Tax payables	–	18,671	–	–	–	–	18,671	18,671
		123,354	–	–	–	–	123,354	123,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Details of the Group's credit policies are included in note 24.

Fair value

i) *Financial instruments carried at fair value*

Financial assets	Fair value as at 2014	Fair value as at 2013	Fair value hierarchy	Valuation technique(s) and key inputs
Held-for trading non-derivative financial assets	–	Listed equity securities in Hong Kong Film industry HK$163 LED manufacturing Industry HK$1,080	Level 1	Quoted bid prices in an active market

Expert as described above, at 31 December 2014, the Group did not have any financial instruments carried at fair value.

At 31 December 2014, there were no transfers between financial instruments in Level 1 and Level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value (Continued)

i) Financial instruments carried at fair value (Continued)

i) Fair values of financial instruments carried at other than fair value

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values:

	2014		2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liability				
Liability component of convertible notes	**97,469**	**97,469**	–	–

ii) The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

6. TURNOVER

Turnover represents the gross amounts received and receivable for revenue arising on hotel operations, goods sold by the Group to outside customers, less return and allowances and gross rental income during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

7. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – hotel operations, property investment and other operating segment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	–	hotel ownership and management
Property investment	–	holding investment properties and properties held for sale
Other operating segment	–	wood processing

Fibreboard operations was discontinued in 2011. The segment information reported on this note does not include any amounts for discontinued operations, which are described in more details in note 13.

Segment information about these continuing operations is presented below:

	Segment Revenue		**Segment Result**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hotel operations	**23,669**	25,714	**(5,832)**	(1,994)
Property investment	**3,604**	2,329	**925**	1,968
Other operating segment	**5,175**	1,573	**(1,500)**	(775)
Total for continuing operations	**32,448**	29,616	**(6,407)**	(801)
Interest income			**6,980**	12,472
Increase/(decrease) in fair value of investment properties			**7,895**	(538)
Impairment loss on properties held for sale			**–**	(1,962)
Professional fee			**(7,557)**	(1,857)
Net central administration cost			**(19,510)**	(14,013)
Net exchange (loss)/gain			**(8,920)**	8,948
Gain on bargain purchase			**86,388**	–
Share of profits of associates			**22,034**	–
Finance costs			**(5,229)**	–
Profit before taxation			**75,674**	2,249
Income tax credit/(expense)			**5,364**	(2,260)
Profit/(loss) for the year from continuing operations			**81,038**	(11)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

Segment result represents the profit/(loss) generated by each segment without allocation of interest income, change in fair value of investment properties, impairment loss on properties held for sale, professional fee, central administration costs, net exchange gain or loss, gain on bargain purchase, share of profits of associates and finance costs. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	2014	2013
	HK$'000	HK$'000
Segment assets		
Hotel operations	**125,736**	129,199
Property investment	**365,134**	197,332
Other operating segment	**1,368**	2,908
Total segment assets	**492,238**	329,439
Pledged bank deposit	**122,467**	–
Bank balances and cash	**145,359**	378,888
Interests in associates	**694,625**	–
Unallocated assets	**4,045**	7,085
Consolidated assets	**1,458,734**	715,412
Segment liabilities		
Hotel operations	**3,927**	4,122
Property investment	**2,631**	405
Other operating segment	**522**	882
Total segment liabilities	**7,080**	5,409
Convertible notes	**176,377**	78,908
Bank loans	**238,868**	–
Unallocated liabilities	**40,827**	39,037
Consolidated liabilities	**463,152**	123,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

Other segment information

2014	**Hotel operations HK$'000**	**Property investment HK$'000**	**Other operating segment HK$'000**	**Total HK$'000**
Continuing operations				
Depreciation	**7,886**	**131**	**584**	**8,601**
Additions to property, plant and equipment	**1,557**	**–**	**–**	**1,557**
Additions to investment property	**–**	**252,612**	**–**	**252,612**
Loss/(gain) on disposal of property, plant and equipment	**28**	**–**	**(14)**	**14**

2013	Hotel operations HK$'000	Property investment HK$'000	Other operating segment HK$'000	Total HK$'000
Continuing operations				
Depreciation	7,823	–	600	8,423
Additions to property, plant and equipment	24,082	–	–	24,082
Loss on disposal of property, plant and equipment	28	–	–	28

Geographical information

The Group's hotel operations and other operating segments are located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investment operations are located in both PRC and Hong Kong.

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

The Group's revenue from continuing operations from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Sales revenue by geographical market		Non-current assets*	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**31,570**	28,903	**376,856**	128,425
Hong Kong	**878**	713	**51,413**	11,000
	32,448	29,616	**428,269**	139,425

* *Non-current assets exclude interest in associates.*

Information about major customers

Included in revenue arising from the sales of wood chips of HK$5,175,000 (2013: HK$1,573,000) are revenue of approximately HK$5,175,000 (2013: HK$1,573,000) which arose from sales to the Group's largest customer (the other operating segment).

Save as disclosed above, for the years ended 31 December 2014 and 31 December 2013, no other single customers accounted for 10% or more of the Group's total revenue from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

8. BUSINESS COMBINATION

On 5 June 2014, China Investments Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 佛山市南海區公有資產管理委員會辦公室 (Office of the Nanhai District of Foshan City Public Assets Administration Commission*), Prize Rich Inc., a substantial shareholder of the Company and related persons for the acquisition of the entire issued share capital of Southern Limited and its direct and indirect holding of approximately 32.636% equity interest in 南海長海發電有限公司 (Nanhai Changhai Power Company Limited*) ("Changhai Power") at the consideration of HK$497,400,000, which was satisfied by (i) issuance of 524,000,000 shares of the Company ("Consideration Shares") and (ii) issuance of convertible notes with a principal amount of approximately HK$166,232,000. The acquisition of Southern Limited was completed on 13 October 2014.

The principal activities of Southern Limited are investment holding and property investment. The principal asset of Southern Limited is the equity interest in Changhai Power, which is principally engaged in the cogeneration of thermal power and heat and the operation of a combined heat and power plant in Nanhai District, Foshan City, Guangdong Province, the PRC. The acquisition represents an opportunity to access to the cogeneration of thermal power and heat business in the PRC, enabling the Group to explore the potential of the industry.

Acquisition-related costs amounting to HK$6,218,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "administrative expenses" line item in the statement of profit or loss and other comprehensive income.

The following table summarises the consideration paid for Southern Limited, the fair value of assets acquired and liabilities assumed as at 13 October 2014.

	HK$'000
Consideration:	
Consideration shares – 524,000,000 ordinary shares *(Note)*	293,440
Convertible notes – equity component *(Note 29)*	34,700
Convertible notes – liability component *(Note 29)*	94,570
Total consideration	422,710

* *For identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

8. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Southern Limited as at the date of acquisition were as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK$'000
Property, plant and equipment	13,031
Investment property	19,500
Interests in an associate	485,042
Other receivables and deposits	4
Prepaid income tax	16
Bank balances and cash	4,907
Other payables	(88)
Deferred tax liabilities	(13,314)
Total identifiable net assets	509,098
Gain on bargain purchase	86,388

Note:

The fair value of 524,000,000 ordinary shares issued was based on the market price of the Company's share on 13 October 2014.

Net cash inflow on acquisition of subsidiary

	HK$'000
Consideration paid in cash	–
Less: Cash and cash equivalent balances acquired	4,907
Net inflow of cash and cash equivalents included in cash flow from investing activities	4,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

8. BUSINESS COMBINATION (Continued)

Impact of acquisition on the results of the Group

Included in the profit for the year is HK$14,798,000 attributable to the additional business generated by Southern Limited. Revenue for the year includes HK$133,000 in respect of Southern Limited.

Had this business combination been effected on 1 January 2014, the revenue of the Group from continuing operations would have been HK$32,846,000, and the profit for the year from continuing operations would have been HK$112,366,000.

The Directors of the Company consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a preference point for the comparison in future periods.

In determining the "pro-forma" revenue and profit of the Group had Southern Limited been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

9. OTHER OPERATING INCOME

Other operating income included the following items:

	2014 **HK$'000**	2013 HK$'000
Continuing operations		
Interest income	**6,980**	12,472
Gain on disposal of financial assets through profit or loss	**1**	–
Net exchange gain	**–**	8,948
Provision for loss in litigation written back	**–**	288

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interest on:		
Bank loans		
– wholly repayable within five years	**1,543**	–
– not wholly repayable within five years	**787**	–
Convertible notes	**2,899**	–
	5,229	–

11. INCOME TAX CREDIT/(EXPENSE)

	2014 HK$'000	2013 HK$'000
Continuing operations		
Tax credit/(charges) comprise:		
Current tax – Provision for PRC enterprises income tax	**(10,801)**	(2,260)
Over-Provision for PRC enterprises income tax	**5,424**	–
Deferred tax *(see note 30)*:		
Current year	**10,741**	–
	5,364	(2,260)

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2014 (2013: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

11. INCOME TAX CREDIT/(EXPENSE) (Continued)

The tax credit/(charge) for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
Profit before taxation from continuing operations	**75,674**	2,249
Tax at the rates applicable to profits in the countries concerned	**(8,476)**	(1,132)
Tax effect of share of profits of associates	**3,636**	–
Tax effect of non deductible expenses	**(10,513)**	(4,178)
Tax effect of non taxable revenue	**17,230**	3,176
Over-provided in previous year	**5,424**	–
Tax effect of tax loss not recognised	**(1,937)**	(126)
Tax effect for the year (relating to continuing operations)	**5,364**	(2,260)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

12. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2014 HK$'000	2013 HK$'000
Continuing operations		
Profit/(loss) for the year has been arrived at after (charging)/ crediting:		
Depreciation of property, plant and equipment	**(8,758)**	(8,593)
Auditor's remuneration	**(1,000)**	(700)
Staff costs (including Directors' remuneration and retirement benefit scheme contribution)	**(19,875)**	(15,069)
Loss on disposal of property, plant and equipment	**(14)**	(28)
Net gain on disposal of property held for sale	**206**	–
Net gain on disposal of investment property	**352**	–
Impairment loss on trade and other receivables	**(10)**	–
Net exchange (loss)/gain	**(8,920)**	8,948
Gross rental income from investment properties	**2,677**	2,329
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**(26)**	(22)
Direct operating expenses from investment properties that did not generate rental income during the year	**(287)**	(229)
	2,364	2,078

13. DISCONTINUED OPERATIONS

On 20 December 2011, the Foshan City Nanhai District Environment, Transport and City Management Authority「佛山市南海區環境運輸和城市管理局」("Foshan Environmental Authority") issued a notice to Foshan City Nanhai Kang Sheng Timber Company Limited ("Kang Sheng") and Foshan City Nanhai Jia Shun Timber Company Limited ("Jia Shun"), the wholly-owned subsidiaries of the Company and the Joint Venture Company, the Company's 42%-owned associate, which carried out all of the Group's fibreboards operations, requiring them to cease their operations at the landed property (including land use rights and the buildings and structures thereon) situated at Foshan City which was leased to Kang Sheng and Jia Shun ("the property") before 31 December 2011, in order to reducing the emission of pollutants and improving the environment in the region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

13. DISCONTINUED OPERATIONS (Continued)

The Company signed Compensation Memorandum with the Foshan City Nanhai District People's Government「佛山市南海區人民政府」("Foshan Nanhai Government"). Pursuant to the Compensation Memorandum, Foshan Nanhai Government resumed the property situated at Foshan City that was leased to Kang Sheng and Jia Shun, and a lump sum payment was made to the Group as compensation for the cessation of fibreboard business. Details of this transaction and terms of compensations have been set out in the Company's announcement dated at 20 December 2011.

The result of the discontinued operation included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below.

	2014	2013
	HK$'000	HK$'000
Loss for the year from discontinued operations		
Turnover	–	2,443
Cost of sales	–	(1,995)
Gross profit	–	448
Other operating income	–	118
Administrative expenses	–	(3,326)
Net profit on disposal of fibreboard business asset	–	4,364
Profit before taxation from discontinued operations	–	1,604
Attributable income tax expense	–	(6,964)
Loss from discontinued operation and compensation	–	(5,360)
Gain on written back of unclaimed liabilities and accounts payable legally time barred and lapsed, net of income tax *(Note)*	–	3,952
Net loss for the year from discontinued operations attributable to owners of the Company	–	(1,408)

Note: The unclaimed liabilities and payables were generated from fibreboard business. The Company announced the cessation of fibreboard business on 20 December 2011. Up to the reporting date, no recourse of the unclaimed liabilities and payables was received by the Group. According to the legal opinion, the unclaimed liabilities and payables had been legally time barred and lapsed. Thus, the Directors decided to write back the unclaimed liabilities and payables.

13. DISCONTINUED OPERATIONS (Continued)

Loss for the year from discontinued operations include the following:

	2014	2013
	HK$'000	HK$'000
Depreciation and amortization	**–**	–
Auditor's remuneration	**–**	–

Cash flows from discontinued operations

	2014	2013
	HK$'000	HK$'000
Net cash outflows from operating activities	**–**	(1,317)
Net cash inflows from investing activities	**–**	10,386
Net cash inflows	**–**	9,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The emoluments paid or payable to each of the nine (2013: seven) Directors were as follows:

2014	**Fees**	**Salaries and other benefits**	**Performance-based or discretionary bonus**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Mr. He Xiangming	**–**	**548**	**136**	**9**	**693**
Mr. You Guang Wu	**–**	**1,244**	**136**	**41**	**1,421**
Mr. Su Wenzhao	**–**	**1,114**	**120**	**44**	**1,278**
Mr. Wu Yongqing	**21**	**–**	**143**	**–**	**164**
Mr. Huang Zhihe	**125**	**354**	**226**	**8**	**713**
Ms. Wang Xin	**87**	**260**	**143**	**11**	**501**
Mr. Chan Kwok Wai	**88**	**–**	**–**	**–**	**88**
Mr. Chen Da Cheng	**88**	**–**	**–**	**–**	**88**
Mr. Deng Hong Ping	**88**	**–**	**–**	**–**	**88**

2013	Fees	Salaries and other benefits	Performance-based or discretionary bonus	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. You Guang Wu	–	1,244	136	41	1,421
Mr. Su Wenzhao	–	1,080	120	36	1,236
Mr. Wu Yongqing	108	295	–	–	403
Mr. Huang Zhihe	44	120	–	–	164
Mr. Chan Kwok Wai	89	–	–	–	89
Mr. Chen Da Cheng	89	–	–	–	89
Mr. Deng Hong Ping	89	–	–	–	89

No Directors had waived any emoluments for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

b. Employees' emoluments

During the year, the five highest paid individuals included four Directors (2013: two Directors), details of whose emoluments are set out above. The emoluments of another individual (2013: three individuals) were as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**615**	1,475
Retirement benefits scheme contributions	**17**	48
	632	1,523

The aggregate emoluments of this one (2013: each of these three) highest paid individual is less than HK$1,000,000.

15. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred. The total contribution to the scheme amounted to HK$109,842 (2013: HK$106,980) for the year and has been charged to the consolidated statement of profit or loss and other comprehensive income. Forfeited employer contributions in respect of former employees from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. There is no forfeited contribution utilised during the year.

At the end of the reporting period, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

15. RETIREMENT BENEFIT SCHEME (Continued)

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1 December 2001 to provide an MPF Scheme to all employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK$30,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK$67,770 (2013: HK$62,859).

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

16. DIVIDENDS

The Directors do not recommend payment of a dividend for the year ended 31 December 2014 and 2013.

17. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

	2014	2013
	HK$'000	HK$'000
Profit/(loss) for the year attributable to owners of the Company	**81,038**	(1,419)

	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,303,178**	1,188,329

17. EARNINGS/(LOSS) PER SHARE (Continued)

From continuing operations

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

Earnings/(loss) figures are calculated as follows:

	2014 HK$'000	2013 HK$'000
Profit/(loss) for the year attributable to owners of the Company	**81,038**	(1,419)
Less:		
Loss for the year from discontinued operations	**–**	(1,408)
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing operations	**81,038**	(11)

The denominators used are the same as those detailed above for both the basic and diluted earnings/(loss) per share.

From discontinued operations

In prior year, basic and diluted loss per share from discontinued operations was approximately HK$0.12 cent, based on the loss from discontinued operations of approximately HK$1,408,000 and the denominators detailed above for both the basic and diluted earnings/(loss) per share.

For the year ended 31 December 2014, no dilutive earnings per share has been presented as the outstanding convertible notes for the year had no dilutive effect on the basic earnings per share as the conversion price was higher than the average market price of the Company's ordinary shares, and the conversion of the Company's outstanding convertible notes could only be converted into shares at any time following the third anniversary of the issue date up to the maturity date on 13 October 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases HK$'000	In Hong Kong held under medium-term leases HK$'000	Total HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 1 January 2013	460	11,500	11,960
Decrease in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(38)	(500)	(538)
As at 31 December 2013 and 1 January 2014	**422**	**11,000**	**11,422**
Additions	**252,612**	**–**	**252,612**
Acquisition through business combination *(Note 8)*	**–**	**19,500**	**19,500**
Disposals	**(125)**	**–**	**(125)**
Increase/(decrease) in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	**(105)**	**8,000**	**7,895**
As at 31 December 2014	**252,804**	**38,500**	**291,304**

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

On 16 September 2013, Foshan City Nanhai Canmanage Investments Holdings Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Foshan City Nanhai Chengye Investment Development and Management Co., Ltd in relation to the acquisition of the 98 office units situated at Block 1 of Guangdong-Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC. The transaction was completed on 14 November 2014. The investment property of HK$252,500,000 have been pledged to secure general banking facilities granted to the Group.

Investment properties were revalued at their open market value at 31 December 2014 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. This valuation gave rise to a revaluation surplus of HK$7,895,000 (2013: deficit of HK$538,000), which has been charged to the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES (Continued)

Associated Surveyors & Auctioneers Ltd is a member of the Institute of Valuers of Hong Kong, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers into or out of Level 2 during the year.

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 2) based on the degree to which the inputs to the fair value measurements is observable.

Property	Fair Value Hierarchy	Valuation Technique(s) and key Input(s)	Significant Observable Inputs
Commercial units located in Hong Kong	Level 2	Direct comparison method The key inputs were: (1) saleable floor area of the property; and (2) unit rate (i.e. $ per square feet). Saleable floor areas of the property was based on developer's sale brochures, our scaling off of registered floor plans or information obtained from Rating and Valuation Department.	Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $3,070/ft^2 Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $16,116/ft^2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES (Continued)

Property	Fair Value Hierarchy	Valuation Technique(s) and key Input(s)	Significant Observable Inputs
Commercial units located in PRC	Level 2	Direct comparison method The key inputs were: (1) saleable floor area of the property; and (2) unit rate (i.e. $ per square feet). Saleable floor areas of the property was based on developer's sale brochures.	Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. The average unit rate adopted as at the date of valuation was: $995/ft^2$ Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $135/ft^2$

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

19. PROPERTY, PLANT AND EQUIPMENT

2014

	Hotel properties in the PRC held under medium-term leases HK$'000	Buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST AND VALUATION							
THE GROUP							
At 1 January 2014	112,000	–	1,001	32,174	17,296	3,478	165,949
Additions	900	–	287	639	48	203	2,077
Acquisition through Business combination	–	13,000	–	31	–	–	13,031
Transfer	–	–	(1,264)	131	1,133	–	–
Disposals and write off	–	–	–	(697)	(21)	(31)	(749)
Exchange difference	–	–	(24)	(697)	(407)	(43)	(1,171)
Deficit on revaluation	(900)	–	–	–	–	–	(900)
At 31 December 2014	112,000	13,000	–	31,581	18,049	3,607	178,237
Comprising:							
At cost	–	13,000	–	31,581	18,049	3,607	66,237
At valuation – 2014	112,000	–	–	–	–	–	112,000
	112,000	13,000	–	31,581	18,049	3,607	178,237
DEPRECIATION							
At 1 January 2014	–	–	–	21,547	13,371	2,682	37,600
Provided for the year	3,797	112	–	3,640	929	280	8,758
Eliminated on disposals and write off	–	–	–	(656)	(21)	(9)	(686)
Eliminated on revaluation	(3,797)	–	–	–	–	–	(3,797)
Exchange difference	–	–	–	(470)	(323)	(22)	(815)
At 31 December 2014	–	112	–	24,061	13,956	2,931	41,060
CARRYING AMOUNTS							
At 31 December 2014	112,000	12,888	–	7,520	4,093	676	137,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

2013

	Hotel properties in the PRC held under medium-term leases HK$'000	Buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST AND VALUATION							
THE GROUP							
At 1 January 2013	92,200	–	–	32,067	17,321	3,426	145,014
Additions	22,528	–	1,303	391	36	–	24,258
Transfer	–	–	(302)	224	78	–	–
Disposals and write off	–	–	–	(1,373)	(644)	–	(2,017)
Exchange difference	–	–	–	865	505	52	1,422
Deficit on revaluation	(2,728)	–	–	–	–	–	(2,728)
At 31 December 2013	112,000	–	1,001	32,174	17,296	3,478	165,949
Comprising:							
At cost	–	–	1,001	32,174	17,296	3,478	53,949
At valuation – 2013	112,000	–	–	–	–	–	112,000
	112,000	–	1,001	32,174	17,296	3,478	165,949
DEPRECIATION							
At 1 January 2013	–	–	–	18,248	12,769	2,377	33,394
Provided for the year	3,325	–	–	4,121	860	287	8,593
Eliminated on disposals and write off	–	–	–	(1,345)	(644)	–	(1,989)
Eliminated on revaluation	(3,325)	–	–	–	–	–	(3,325)
Exchange difference	–	–	–	523	386	18	927
At 31 December 2013	–	–	–	21,547	13,371	2,682	37,600
CARRYING AMOUNTS							
At 31 December 2013	112,000	–	1,001	10,627	3,925	796	128,349

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings

The Group's hotel properties situated in the PRC were valued on 31 December 2014 and 31 December 2013 by Associated Surveyors & Auctioneers Ltd., an independent valuers not related to the Group.

The fair value of the buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the buildings under review. There has been no change to the valuation technique during the year.

The Group's hotel properties were classified under level 2 in the fair value hierarchy. There were no transfer into or out of level 2 during the year.

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

If hotel properties had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$70,082,000 (2013: HK$71,682,000).

20. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	Guangdong Financial Leasing Co., Ltd	**Nanhai Changhai Power Company Limited**	**Total**	Total
	2014	**2014**	**2014**	2013
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Cost of investments in associates				
Unlisted	**191,977**	**485,042**	**677,019**	–
Share of post-acquisition profits	**6,963**	**15,071**	**22,034**	–
Share of other comprehensive income	**1,729**	**(6,157)**	**(4,428)**	–
	200,669	**493,956**	**694,625**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's material associates at the end of the reporting period are as follows:

Entity Name	Form of the entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
Guangdong Financial Leasing Co., Ltd *(Note 1)*	Incorporated	The People's Republic of China (the "PRC")	The People's Republic of China (the "PRC")	Ordinary	25%	25%	Finance leasing business and related advisory and guarantee services
Nanhai Changhai Power Company Limited *(Note 2)*	Incorporated	The People's Republic of China (the "PRC")	The People's Republic of China (the "PRC")	Ordinary	32.636%	32.636%	Generation and sale of electricity and heated steam

Note 1: On 17 January 2014, CIH Finance Investment Holdings Limited, a wholly-owned subsidiary of the Company, entered into the joint venture agreement with Guangdong Technology Financial Group Co., Ltd. ("Guangdong Tech-Finance"), Guangdong Qunxing Toys Joint-Stock Co., Ltd. ("Guangdong Qunxing") and Centenio Group Co., Ltd. ("Centenio Group") for the establishment of Guangdong Financial Leasing Co., Ltd. (the "Joint Venture Company") to engage in finance leasing business in Guangdong, the PRC. The initial registered capital of the Joint Venture Company will be RMB620,000,000 and it will be contributed as to 35% by Guangdong Tech-Finance, 25% by CIH Finance Investment Holdings Limited, 20% by Guangdong Qunxing and 20% by Centenio Group.

Under the joint venture agreement, the board of the Joint Venture Company can pass the resolution without the agreement from all directors in the board. The Directors of the Company consider that there is no joint control in this agreement and it is therefore classified as an associate of the Group.

Note 2: On 5 June 2014, China Investments Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Office of the Nanhai District of Foshan City Public Assets Administration Commission, Prize Rich Inc. and related persons in relation to the indirect acquisition of the 32.636% equity interest in Nanhai Changhai Power Company Limited ("Changhai Power") at the consideration of HK$497,400,000. Of which, HK$331,168,000 will be satisfied by the issue of 524,000,000 shares of the Group to Prize Rich Inc. at the price of HK$0.632, and HK$166,232,000 will be satisfied by the issue of the convertible notes of the Group to Prize Rich Inc. The acquisition was completed on 13 October 2014.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd

	2014 HK$'000	2013 HK$'000
Current assets	**519,646**	–
Non-current assets	**600,748**	–
Current liabilities	**(25,188)**	–
Non-current liabilities	**(292,529)**	–
Net asset value	**802,677**	–

	2014 HK$'000	2013 HK$'000
Revenue	**31,286**	–
Profit for the year	**27,852**	–
Other comprehensive income for the year	**6,919**	–
Total comprehensive income for the year	**34,771**	–

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

	2014 HK$'000	2013 HK$'000
Net assets of the associate	**802,677**	–
Proportion of the Group's ownership interest in Guangdong Financial Leasing Co., Ltd	**25%**	–
Carrying amount of the Group's interest in Guangdong Financial Leasing Co., Ltd	**200,669**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited

	2014 HK$'000	2013 HK$'000
Current assets	**602,987**	–
Non-current assets	**1,021,957**	–
Current liabilities	**(456,205)**	–
Net asset value	**1,168,739**	–

	2014 HK$'000	2013 HK$'000
Revenue	**279,797**	–
Profit for the year	**46,179**	–
Other comprehensive income for the year	**(18,866)**	–
Total comprehensive income for the year	**27,313**	–

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

	2014 HK$'000	2013 HK$'000
Net assets of the associate	**1,168,739**	–
Proportion of the Group's ownership interest in Nanhai Changhai Power Company Limited	**32.636%**	–
Carrying amount of the Group's interest in Nanhai Changhai Power Company Limited *(Note)*	**493,956**	–

Note:

On 13 October 2014, there was undistributed profit due to Southern Limited included in the carrying value of Nanhai Changhai Power Company Limited which had been acquired by the Group through the acquisition of Southern Limited. It is therefore the carrying amount of the Group's interest in Nanhai Changhai Power Company Limited as at 31 December 2014 cannot be directly calculated by multiplying its net assets with the proportion of the Group's ownership interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

21. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**1,096,607**	1,096,607
Less: Impairment loss	**(1,073,000)**	(1,073,000)
	23,607	23,607

Particulars of the Company's principal subsidiaries as at 31 December 2014 are set out in note 39.

22. PROPERTIES HELD FOR SALE

THE GROUP

Properties held for sale are stated at net realisable value. They are held under medium-term lease in PRC.

23. INVENTORIES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
At Cost		
Food, beverages and hotel supplies	**1,284**	1,574
Raw material	**–**	16
	1,284	1,590

The cost of inventories recognised as expenses and included in cost of sales amounted to HK13,015,000 (2013: 17,394,000) for the year ended 31 December 2014.

The Directors considered the provision for inventory obsolescence of continuing operation was not required. (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES

THE GROUP

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 90 days to its customers.

The following is an aging analysis of the Group's trade receivables after deducting the allowance for doubtful debts presented based on invoice dates at the end of the reporting period:

	2014	2013
	HK$'000	HK$'000
0-60 days	**683**	1,266
61-90 days	**202**	148
91-120 days	**181**	123
over 120 days	**86**	88
Trade receivables	**1,152**	1,625
Other receivables	**7,912**	135,959
	9,064	137,584

Other receivables included the following items:

	2014	2013
	HK$'000	HK$'000
Prepayment for the acquisition of property *(Note)*	**2,000**	130,657
Interest receivable	**2,264**	3,743
Utility deposit, prepayment and other receivables	**3,648**	1,559
	7,912	135,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES (Continued)

THE GROUP (Continued)

Note:

The other receivable was deposit paid by the Group to purchase a property which comprises 98 office units situated at Block 1 of Guangdong-Hongkong Finance and Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan city, Guangdong Province, the PRC, by way of pre-sale prior to the completion of the construction of the property in year 2013. The acquisition was completed on 14 November 2014 and the deposit amount HK$130,657,000 was transferred to and accounted for as an investment property.

At the end of the reporting period, the other receivable amounted to HK$2,000,000 was deposit paid by the Group to purchase a property which comprises the units numbered 1,14 & 15 on the 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong, with a total gross floor area of approximately 4,620 square feet, on 16 December 2014.

The Group does not hold any collateral or other credit enhancements over these balances.

Of the trade receivables balance at the end of the year, HK$253,000 (2013: HK$125,000) is due from the Group's largest customer. There are eight (2013: five) other customers who represent more than 5% of the total balance of trade receivables amounting to HK$874,000 (2013: HK$570,000).

At as 31 December 2014, trade receivables over 90 days amounted to HK$267,000 (2013: HK$211,000) were past due but not impaired as the balance were related to debtors with sound repayment history and no recent history of default.

Age of receivables that are past due but not impaired:

	2014	2013
	HK$'000	HK$'000
91-120 days	**181**	123
Over 120 days	**86**	88
	267	211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES (Continued)

THE GROUP (Continued)

Movements in the allowance for doubtful debts:

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**252**	245
Impairment recognised on receivables	**10**	–
Foreign exchange translation gains and losses	**(6)**	7
Balance at the end of the year	**256**	252

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

As at 31 December 2014, trade receivable over 120 days amounted to HK$10,000 (2013: Nil) were impaired and fully provided for.

The carrying amounts of the trade and other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default. The Directors considered that the carrying amount of trade and other receivables approximates to their fair value.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK$'000	2013 HK$'000
THE GROUP		
Listed shares in Hong Kong	**–**	1
Market value of listed shares	**–**	1
Carrying amount analysed for reporting purposes as:		
Current	**–**	1
Non-current	**–**	–
Total	**–**	1

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less.

Bank balances are interest bearing at respective saving deposits rate in Hong Kong and the PRC, and the effective interest rates of the Group's bank balances ranged from 0.2% to 3.22% per annum in Hong Kong and ranged from 1.13% to 3.47% per annum in the PRC (2013: 0.01% to 1.5% per annum in Hong Kong and 1% to 3.05% per annum in the PRC). The pledged bank deposit carries fixed interest rate of range from 2.85% to 2.95% (2013: Nil) per annum.

Pledged bank deposit represents deposit per annum pledged to bank to secure banking facilities granted to the Group. Deposit amounting to HK$122,467,000 (2013: Nil) has been pledged to secure a short-term bank loan and is therefore classified as current asset. The pledged bank deposit will be released upon the settlement of relevant bank borrowing.

The carrying amounts of bank balances and cash and pledged bank deposit are denominated in the following currencies:

	The Group		**The Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars	**6,154**	5,253	**233**	152
Renminbi	**261,342**	373,512	**134,983**	122,447
United States Dollars	**330**	123	**1**	3
	267,826	378,888	**135,217**	122,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

27. TRADE AND OTHER PAYABLES

THE GROUP

The credit period granted by the Group's supplies ranges from 30 days to 90 days.

The following is an aging analysis of the Group's trade payables by age based on the invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0-60 days	**941**	1,247
61-90 days	**126**	133
91-120 days	**113**	121
over 120 days	**183**	196
Trade payables	**1,363**	1,697
Other payables	**103,904**	102,986
	105,267	104,683

Other payables included the following items:

	2014 HK$'000	2013 HK$'000
Other tax payable	**9,832**	10,111
Payable on convertible notes interest payable *(Note 1)*	**78,908**	78,908
Others *(Note 2)*	**15,164**	13,967
	103,904	102,986

27. TRADE AND OTHER PAYABLES (Continued)

THE GROUP (Continued)

Note 1:

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2014 and 2013, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK$3,908,000, were reclassified as other payables and become repayable on demand.

Note 2:

Others include accrued staff salaries and welfare, deposit received from hotel customers and other temporary receipt.

The Directors considered that the carrying amount of trade and other payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

THE COMPANY

Other payables included the following items:

	2014	2013
	HK$'000	HK$'000
Payable on convertible notes interest payable	**78,908**	78,908
Others	**472**	277
	79,380	79,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

28. BANK LOANS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured	**238,868**	–	**113,944**	–
Carrying amount repayable:				
Within one year	**116,444**	–	**113,944**	–
More than one year, but not exceeding two years	**10,000**	–	**–**	–
More than two years, but not more than five years	**37,500**	–	**–**	–
More than five years	**74,924**	–	**–**	–
	238,868	–	**113,944**	–
Less: Amounts shown under current liabilities	**116,444**	–	**113,944**	–
	122,424	–	**–**	–

During the year, the Group obtained new short-term loans and long-term loans amounting to HK$113,944,000 and HK$124,924,000 respectively.

The short-term bank loans of HK$113,944,000 are secured by the Group's fixed deposit of approximately HK$122,467,000 (2013: nil). The short-term loans carry fixed interest rate at range from 2.1% to 2.3% per annum and are repayable within half year. The proceeds were used to finance the establishment of an associate, Guangdong Financial Leasing Co., Ltd, and the Group's daily operation.

The long-term bank loans of HK$124,924,000 are secured by the Group's investment property of approximately HK$252,500,000 (2013: nil) that is situated at Block 1 of Guangdong-Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC. The long-term loans carry floating interest rate of the People's Bank of China. The weighted average effective rate on the bank loan is 6.15% (31 December 2013: nil) per annum and repayable within ten years. The proceeds were used to finance the purchase of that investment property.

29. CONVERTIBLE NOTES

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2014 and 2013, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK$3,908,000, were reclassified as other payables and become repayable on demand.

On 13 October 2014, the Company issued convertible notes in the principal amount of HK$166,232,000 (the "2014 CB") (of which its fair value at the issuance date is approximately HK$129,270,000) as part of the consideration for the acquisition of Southern Limited. The 2014 CB bears coupon rate of 2% per annum and are convertible into shares of the Company at a conversion price of HK$0.76 per share at any time following the third anniversary of the issue date up to the maturity date on 13 October 2019. At any time prior to the maturity date of the 2014 CB, the Company is entitled to redeem in whole or in part of the 2014 CB at the principal amount then outstanding or such parts of the principal amount then outstanding together with the relevant accrued and unpaid interest. Unless previously redeemed, converted or purchased and cancelled, the 2014 CB will be redeemed on the maturity date on 13 October 2019. The 2014 CB carries interest at a rate of 2% per annum, which is payable annually in arrears or upon the conversion or redemption of the bonds.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the convertible note equity reserve.

The Group and the Company

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	–	–	–
Issue of convertible notes on 13 October 2014 (the "2014 CB")	94,570	34,700	129,270
Interest charged calculated at an effective interest rate of 14.16%	2,899	–	2,899
At 31 December 2014	97,469	34,700	132,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

29. CONVERTIBLE NOTES (Continued)

The fair value of the liability component of the 2014 CB is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	5 years
Discount rate	13.68% – 14.82%
Probability of early redemption	0%

The fair value of the equity component of the 2014 CB is determined by using the bi-nominal model, with the following key assumptions:

Fair value of shares of the Company	HK$0.56 each
Conversion price	HK$0.76
Risk free interest rate	1.258%
Time to maturity	5 years
Expected volatility	66.948%
Expected dividend yield	Nil
Bond yield	8.154%
Conversion period	13 October 2017 to 13 October 2019
Early redemption period	13 October 2014 to 13 October 2019

30. DEFERRED TAXATION

The following is the deferred tax balance recognised and movements thereon during the current and prior years:

	Undistributed profits of an associate HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Acquisitions	13,314
Credit to profit or loss	(10,741)
Exchange differences	(166)
At 31 December 2014	2,407

30. DEFERRED TAXATION (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	2013
	HK$'000	HK$'000
Deferred tax liabilities	**2,407**	–

No deferred tax has been provided in respect of the valuation surplus relating to the Hotel Properties for the year as the carrying amount does not exceed the total investment cost and the Directors considered that there is not taxable flow of economic benefits to the Group.

At the end of the reporting period, the Group has unused tax losses of HK$1,892,000 (31 December 2013: HK$126,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law dependent upon the nationality and domicile of the foreign investors, a 5% to 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates range from 5% to 10%.

As at 31 December 2014, the unrecognised deferred tax liabilities were approximately HK$13,300 (2013: approximately HK$15,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2014 amounted to approximately HK$133,000 (2013: approximately HK$149,000).

With regard to the Group's investment properties, as none of them is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

As at 31 December 2014, the Group has a temporary difference of HK$71,662,000 arising from the differences between the principal amount and liability component of convertible note. No deferred tax liability has been recognised in relation to such temporary difference since the Directors consider that such temporary difference is not deductible as no assessable profit will be available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

31. SHARE CAPITAL

	Number of shares		Share Capital	
	2014	2013	**2014**	2013
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of year	**1,188,329,142**	1,188,329,142	**118,833**	118,833
Issue of shares	**524,000,000**	–	**52,400**	–
At the end of year	**1,712,329,142**	1,188,329,142	**171,233**	118,833

On 13 October 2014, 524,000,000 ordinary share of HK$0.1 each were issued and allotted at HK$0.56 per share to Prize Rich Inc., as part of the consideration for the acquisition of Southern Limited. Please refer to Note 8 to the financial statements. These shares issued rank pari passu in all respects with the existing issued shares of the Company.

32. SHARE OPTION SCHEME

A share option scheme has been adopted by the Company on 30 May 2013 (the "Old Scheme") and the Old Scheme was for a term of 10 years from the date of adoption. The Old Scheme was terminated by shareholders of the Company at the annual general meeting held on 26 April 2013. There was no outstanding option under the Old Scheme at 31 December 2012 and 2013.

A new share option scheme was adopted by shareholders of the Company at the annual general meeting held on 26 April 2013 (the "New Scheme").

The purpose of the New Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remuneration, compensating and/or providing benefits to the participants for their contribution or future contribution to the Group and to strengthen the many long-term relationships that the participants may have with the Group. Eligible participants means any person falling within any of the following classes (a) any employee; (b) any business associate of the Company or any subsidiary; (c) any other group or classes of participants which the board, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group. The New Scheme has became effective on 26 April 2013 and, will remain in force for 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

32. SHARE OPTION SCHEME (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company shall not in aggregate exceed 10 per cent of the total number of shares in issues as at the date of adoption of the New Scheme (i.e. 118,832,914 Shares of the Company) unless the Company obtain a fresh approval from the shareholders.

No option shall be granted to any participant such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such participant under the New Scheme and any other option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant shall exceed 1 per cent. of the total number of shares in issue.

Under the New Scheme, where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to him or her under the Scheme and any other option schemes of the Company in the 12-month period up to and including the date of such grant; (i) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, such proposed grant of options must be approved by the shareholders of the Company in general meeting with all connected persons of the Company abstaining from voting (except that any connected persons may vote against the relevant resolution at such general meeting provided that his intention to do so is stated in the circular to the shareholders of the Company). Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted when the duplicate letter comprising acceptance of the offer, duly signed by the grantee with the number of share in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 1 month from the offer date.

The subscription price of share options granted under the New Scheme shall be a price solely determined by the Board and notified to a participant in the offer letter and shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the offer date; and (c) the nominal value of a share on the offer date.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share options schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

No option has been granted under the New Scheme since its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

33. CONTINGENT LIABILITIES

The Group had a maximum contingent consideration of HK$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage Trading Limited ("Can Manage"). This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, Foshan City Nanhai Jia Shun Timber Company Limited ("Jia Shun"), achieved an amount of HK$70,000,000 for the year ended 31 December 2002 and HK$80,000,000 for the year ended 31 December 2003.

However, the operation of Jia Shun was suspended during the period from 17 August 2003 to 10 October 2003 due to (i) a failure in the supply of electricity and steam from the power plant operated under the power supply agreement, and (ii) a court order dated 19 August 2003 to freeze Jia Shun's assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidents and as the consolidated net profit of Can Manage and Jia Shun for the year ended 31 December 2003 did not reach HK$80,000,000, the Directors consider that the Group is not liable to pay any contingent consideration.

However, as the vendor of Can Manage and Jia Shun is not contactable up to the date of this report, the Directors have decided to reflect this amount as a contingent liability.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2014 **HK$'000**	2013 HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**2,663**	1,131

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

	2014 **HK$'000**	2013 HK$'000
Within one year	**1,625**	1,082
In the second to fifth year inclusive	**1,038**	49
	2,663	1,131

Operating lease payments represent rentals payable by the Group for certain of its office properties with lease terms of between 1 to 2 years (31 December 2013: 1 to 3 years), with an option to extend for a further one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

34. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The Group's property rental income earned during the year was approximately HK$2,677,000 (2013: HK$2,329,000). Part of the properties held have committed tenants between 1 to 2 years (2013: more than one year).

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

	2014	2013
	HK$'000	HK$'000
Within one year	**4,488**	4,610
In the second to fifth year inclusive	**10,674**	14,629
Over five years	**7,018**	11,104
	22,180	30,343

35. COMMITMENTS

	2014	2013
	HK$'000	HK$'000
Commitments for the acquisition of property, plant and equipment	**70,988**	90
Commitments for the acquisition of the investment properties	**–**	127,117
Commitments for the refurbishment of the investment properties	**2,777**	–

36. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities to the Group or borrowings of the Group (see note 28):

	2014	2013
	HK$'000	HK'000
Investment property	**252,500**	–
Bank deposits	**122,467**	–
	374,967	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

37. RELATED PARTY TRANSACTION

On 5 June 2014, China Investments Limited, a wholly-owned subsidiary of the Group, entered into an acquisition agreement with the Office of the Nanhai District of Foshan City Public Assets Administration Commission, Prize Rich Inc., a substantial shareholder of the Company and a related person for the acquisition of the entire issued share capital of Southern Limited ("Southern Limited") and its direct and indirect holding of approximately 32.636% equity interest in Nanhai Changhai Power Company Limited ("Changhai Power") for a consideration of HK$497,400,000, which was satisfied by (i) issuance of 524,000,000 shares of the Company ("Consideration Share") and (ii) issuance of convertible notes with a principal amount of approximately HK$166,232,000. The acquisition of Southern Limited was completed on 13 October 2014.*

In addition to the above, the Group purchased a car in cash HK$203,000 from Grandblue Environment Co Ltd, whose director is a close family member of one of the Group's director.**

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**5,535**	3,971
Post employment employee benefits	**129**	92
	5,664	4,063

The remuneration of Directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

* The transaction also constituted a major and connected transaction under the Listing Rules.

** The transaction constituted an exempt connected transaction under the Listing Rules.

38. EVENT AFTER THE REPORTING PERIOD

The Company entered into a provisional agreement on 17 December 2014 to acquire the units numbered 1, 14 & 15 on the 5th Floor, Wing On Plaza, 62 Mody Road, Kowloon, Hong Kong, with a total gross floor area of approximately 4,620 square feet at a consideration of HK$72,900,000, and paid a deposit of HK$2,000,000 upon the signing the provisional agreement. The formal sale and purchase agreement was executed and a further deposit of HK$5,290,000 were paid on 13 January 2015. The acquisition was completed and the balance of HK$65,610,000 paid on 18 March 2015 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

39. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held	Principal activity
Direct subsidiary				
China Investments Limited	Hong Kong	HK$1,000	100	Investment holding
Indirect subsidiaries				
Airlane Development Limited	Hong Kong	HK$2	100	Property trading
Barmax Development Limited	Hong Kong	HK$2	100	Property trading
Botex Development Limited	Hong Kong	HK$2	100	Property trading
Centon Development Limited	Hong Kong	HK$2	100	Property trading
Charland Investment Limited	Hong Kong	HK$2	100	Property trading
China Alliance Industries	Hong Kong	HK$2	100	Property trading
China Industrial Development Limited	Hong Kong	HK$2	100	Investment holding
CIH Finance Investments Holdings Limited	Hong Kong	HK$4	100	Financial Investment
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Expert Target Development Limited	Hong Kong	HK$2	100	Property trading
Greenswood Property Limited	Hong Kong	HK$2	100	Property investment
Guilin Plaza Hotel *(Note)*	PRC	US$9,690,000	100	Hotel operations
Jofra Company Limited	Hong Kong	HK$1,000	100	Investment holding
Foshan City Nanhai Jia Shun Timber Company Limited* 佛山市南海佳順木業有限公司 *(Note)*	PRC	HK$39,800,000	100	Manufacturing and trading of medium density fibreboards
Foshan City Nanhai Kang Sheng Timber Company Limited* 佛山市南海康盛木業有限公司 *(Note)*	PRC	HK$81,000,000	100	Wood processing
Foshan City Nanhai Canmanage Investments Holdings Limited* 佛山市南康美投資有限公司 *(Note)*	PRC	RMB$30,000,000	100	Property investment
Langmax Investment Limited	Hong Kong	HK$2	100	Property trading
Lina Development Limited	Hong Kong	HK$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK$2	100	Property trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2014

39. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held	Principal activity
Rich Asset Development Limited	Hong Kong	HK$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK$2	100	Property trading
Senicon Investment Limited	Hong Kong	HK$2	100	Property trading
Sabrina Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Sino Sense Development Limited	Hong Kong	HK$2	100	Property trading
Southern Limited	Hong Kong	HK$10,000	100	Investment holding and property investment
Trener Investment Limited	Hong Kong	HK$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK$2	100	Property trading

Note: wholly foreign owned enterprise.
*: For identification propose only

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

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

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to confirm to the current year presentation.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2010*	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Continuing operations					
Turnover	489,873	36,560	35,738	29,616	**32,448**
Profit/(loss) for the year	20,872	1,850	(6,336)	(11)	**81,038**
Discontinued operation (loss)/profit for the year	–	(62,806)	111,865	(1,408)	**–**
Profit/(loss) for the year attributable to owners	20,872	(60,956)	105,529	(1,419)	**81,038**
Earnings/(loss) per share					
Basic	HK1.76 cents	(HK5.13 cents)	HK8.88cents	(HK0.12 cent)	**HK6.22 cents**
Diluted	HK1.76 cents	(HK5.13 cents)	HK8.88cents	(HK0.12 cent)	**HK6.22 cents**

	Year ended 31 December				
	2010*	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	721,642	636,739	727,366	715,412	**1,458,734**
Total liabilities	(186,102)	(159,714)	(139,586)	(123,354)	**(463,152)**
Equity contributable to owners	535,540	477,025	587,780	592,058	**995,582**

* *The result for the year of 2010 has not been represented for the discontinued operation.*

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group as at 31 December 2014 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Hotel properties						
Guilin Plaza, 20 Li Jiang Lu Guilin, Guangxi, The PRC.	100	Medium	Hotel	29,746	Existing	N/A
Properties						
Flat A7 on 2nd Floor of Block A Yan On Building No. 1 Kwong Wa Street Kowloon	100	Medium	Residential	72	Existing	N/A
Unit No. 1 on 14th Floor President Commercial Centre 608 Nathan Road Kowloon	100	Medium	Commercial	46	Existing	N/A
Investment properties						
Kai Yip Factory Building Portion A on G/F, No. 1517 Sam Chuk Street San Po Kong Kowloon, Hong Kong.	100	Medium	Industrial	459	Existing	N/A
17th Floor SingHo Finance Building Nos. 166/168 Gloucester Road Hong Kong	100	Medium	Commercial	112	Existing	N/A
Room 702 and 704 of Block D of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road Shantou Special Economic Zone, Guangdong Province, The PRC.	100	Medium	Residential	205	Existing	N/A

PARTICULARS OF MAJOR PROPERTIES (Continued)

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Investment properties (Continued)						
Block A, Phase 1 Guangdong – Hong Kong Finance & Technology Park Guicheng Street, Nanhai District Foshan City, Guangdong Province The PRC	100	Medium	Commercial	18,866	Existing	N/A
Properties held for sale						
Levels 5-7, 9, 12-14, 17-22 of Block A and all shopping spaces in the podium under Block B & C of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road, Shantou Special Economic Zone, Guangdong Province The PRC.	100	Medium	Commercial/ Residential	13,237	Existing	N/A
10th Floor of Building B, 6th, 8th, 11th, 15th, 17th and 25th Floors of Building A, International Commerce Building, Banzhang Lake, South Riverside, Huizhou City, Guangdong Province, The PRC.	100	Long	Commercial/ Office	4,289	Existing	N/A