北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

2014

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YU Li *(Vice Chairman)*
Mr. QIAN Xu *(Chief Executive Officer)*
Mr. SIU Kin Wai *(Chief Financial Officer)*
Mr. JIANG Xinhao
Mr. YU Luning
Mr. LIU Xueheng
Mr. ANG Renyi
Mr. XU Taiyan (resigned on 10 July 2014)
Ms. MENG Fang (resigned on 30 September 2014)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui (appointed on 3 December 2014)
Mr. CHAN Yuk Cheung (appointed on 3 December 2014)
Mr. MA Chiu Cheung, Andrew (resigned on 3 December 2014)
Mr. NG Tang Fai, Ernesto (resigned on 3 December 2014)

AUDIT COMMITTEE

Mr. GOH Gen Cheung *(Chairman)* (appointed on 3 December 2014)
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui (appointed on 3 December 2014)
Mr. CHAN Yuk Cheung (appointed on 3 December 2014)
Mr. MA Chiu Cheung, Andrew (resigned on 3 December 2014)
Mr. NG Tang Fai, Ernesto (resigned on 3 December 2014)

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. LIU Xueheng *(Chairman)*
Mr. QIAN Xu
Mr. JIANG Xinhao
Mr. SIU Kin Wai
Mr. YU Luning
Mr. ZHU Wuxiang
Mr. ANG Renyi
Ms. MENG Fang (resigned on 30 September 2014)

NOMINATION COMMITTEE

Mr. James CHAN *(Chairman)* (appointed on 3 December 2014)
Mr. GOH Gen Cheung
Mr. QIAN Xu
Mr. YU Luning
Mr. SONG Lishui (appointed on 3 December 2014)
Mr. CHAN Yuk Cheung (appointed on 3 December 2014)
Ms. MENG Fang (resigned on 30 September 2014)
Mr. NG Tang Fai, Ernesto (resigned on 3 December 2014)
Mr. MA Chiu Cheung, Andrew (resigned on 3 December 2014)

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. YU Luning
Mr. James CHAN
Mr. SONG Lishui (appointed on 3 December 2014)
Mr. CHAN Yuk Cheung (appointed on 3 December 2014)
Mr. MA Chiu Cheung, Andrew (resigned on 3 December 2014)
Mr. NG Tang Fai, Ernesto (resigned on 3 December 2014)

COMPANY SECRETARY

Mr. SIU Kin Wai

STOCK CODE

925

AUTHORISED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendor House, 2 Church Street,
Hamilton, HM11,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young

WEBSITE

www.bphl.com.hk

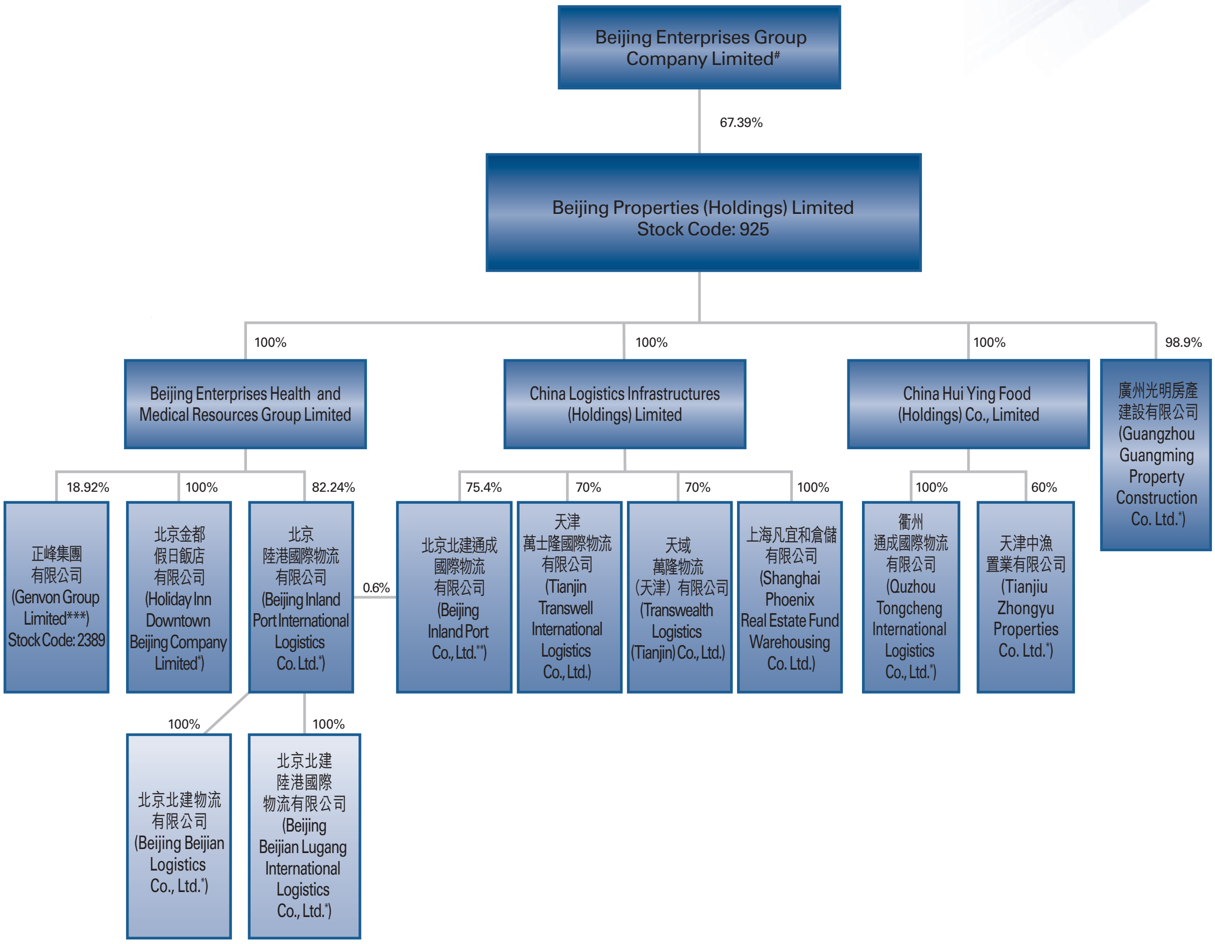
PRINCIPAL BANKERS

In Hong Kong:
China CITIC Bank International Ltd
Bank of Communications Co., Ltd.

In Mainland China:
Shanghai Pudong Development Bank Co., Ltd.
Bank of China Limited
Agricultural Bank of China
CITIC Bank International (China) Limited

GROUP STRUCTURE

As at 30 March 2015



Beijing Enterprises Group Company Limited indirectly holds 67.39% of the issued share capital of the Company through its wholly-owned subsidiaries

* for identification purpose only

** Jointly Control Entity

*** Associate Company

DIRECTORS AND SENIOR MANAGEMENT

Our board (the "Board") of directors (the "Directors") currently consists of twelve Directors, comprising seven executive Directors and five independent non-executive Directors.

EXECUTIVE DIRECTORS

MR. YU LI

Aged 51, vice chairman, Mr. Yu is the chairman and an executive director of the Beijing Enterprises Group Real-Estate Co., Ltd ("BE Real Estate"). Mr. Yu obtained an Executive MBA degree from the Peking University. Mr. Yu has extensive experience in corporate management. Mr. Yu joined the Group in January 2011.

MR. QIAN XU

Aged 51, chief executive officer, Mr. Qian is the general manager and an executive director of the BE Real Estate. Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian joined the Group in July 2009.

MR. SIU KIN WAI

Aged 46, chief financial officer and company secretary, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company and also serves as the chief financial officer of Beijing Holdings Limited ("BHL"). Mr. Siu was appointed as the chief financial officer of Genvon Group Limited ("Genvon", SEHK stock code: 2389) on 23 September 2014, and has resigned as the chief financial officer of the Genvon with effect from 27 March 2015. Mr. Siu also serves as the independent non-executive director of Agritrade Resources Limited (SEHK stock code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

MR. JIANG XINHAO

Aged 50, is a vice general manager of the Beijing Enterprises Group Company Limited ("BE Group"), an executive director of BE Real Estate, an executive director and a vice president of Beijing Enterprises Holdings Limited ("BEHL") (SEHK stock code: 392) and an executive director of Beijing Enterprises Water Group Limited ("BE Water") (SEHK stock code: 371), BEHL and BE Water are respectively subsidiaries and associated companies of the BE Group. Mr. Jiang graduated from Fudan University in 1987 with a Bachelor's degree in Law, and then in 1992 with a Master's degree in Law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 2000 to 2005, Mr. Jiang was a manager of the investment development department of BHL, and the general manager of Beijing BHL Investment Center, a wholly owned subsidiary of BHL. He served as a policy analyst of the Chinese State Commission for Restructuring Economic System from 1987 to 1989. Mr. Jiang has extensive experience in corporate finance and corporate management. Mr. Jiang joined the Group in January 2011.

MR. YU LUNING

Aged 53, graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

DIRECTORS AND SENIOR MANAGEMENT

MR. LIU XUEHENG

Aged 41, obtained his MBA from the Cambridge University of the United Kingdom. Mr. Liu has extensive experience in the equity investment, corporate finance, IPO listings, and mergers and acquisitions. Mr. Liu is a co-founder of Partners Capital International Limited and Vision Finance Group Limited and is currently an executive director of Vision Finance Group Limited. Mr. Liu also serves as an executive director of Genvon. Mr. Liu also serves as an independent non-executive director of Guangshan Railway Co., Limited (SEHK stock code: 525). Mr. Liu joined the Group in January 2011.

MR. ANG RENYI

Aged 29, holds a Bachelor's degree in Environmental Engineering from the Harvard University. Prior to joining our Board, Mr. Ang Renyi had been an analyst of energy and natural resources group in J.P. Morgan Asia Pacific. He has extensive experience in the areas of banking and capital markets. Mr. Ang joined the Group in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. GOH GEN CHEUNG

Aged 68. Mr. Goh has been appointed as an independent non-executive director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as an independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759). He was also an independent non-executive director of Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728) until 30 November 2014.

MR. ZHU WUXIANG

Aged 49. Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in Quantitative Economics and has obtained a Doctorate. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as an independent non-executive directors of CFLD Inc., a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 600340). Mr. Zhu joined the Group in January 2011.

MR. JAMES CHAN

Aged 61. Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a Bachelor's degree of Arts in Architectural Studies from the University of Hong Kong, a Bachelor's degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan also is an executive director and the project director of the Pacific Century Premium Development Limited (SEHK Stock Code: 432). Mr. Chan is an non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032). Mr. Chan joined the Group in June 2011.

MR. SONG LISHUI

Aged 57, Mr. Song is a professor at the Department of Economics of the Faculty of Economics at the Meiji Gakuin University, Japan. Mr. Song obtained a Doctorate in Economics from the Graduate School of the Ritsumeikan University in March 1996, a Master's degree in Economics from the Graduate School of the Kyoto University in March 1991 and a Bachelor's degree in Economics from the Department of Planning and Statistics from a school of the Renmin University of China in July 1986. He has been working for the Meiji Gakuin University, Japan since 1996, and is a Secretary (局長) of the executive council of the Society of Chinese Professors in Japan and a visiting researcher of 日本TORAY經營研究所. Mr. Song was a visiting scholar of the Center for East Asian and Pacific Studies at the University of Illinois, the United States. He also served as a civil servant at the Personnel and Education Department of the National Bureau of Statistics of the People's Republic of China. He has extensive experience in economics. Mr. Song joined the Group in December 2014.

DIRECTORS AND SENIOR MANAGEMENT

MR. CHAN YUK CHEUNG

Aged 61, Mr. Chan is currently the president of 國際友商會 and Sino-Cambodian International Economic Zone Management Committee（中柬國際經濟特區管理委員會）. He has extensive experience in management and corporate affairs. Mr. Chan joined the Group in December 2014.

The senior management team of the Group include:

MR. DONG QILIN

Aged 50, is the manager of the Securities and Capital Market Department of the BE Group and an executive vice president of the Company and 北京允中投資咨詢有限公司 (Beijing Yun Zhong Investment Consulting Co., Ltd) ("BYZCC"), a wholly owned subsidiary of the Company. Mr. Dong graduated from the University of Science and Technology Beijing with a Master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation. He was appointed as an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

MR. LI CHANGFENG

Aged 42, executive vice president of the Company and BYZCC, of the chairman and an executive director of China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a subsidiary of the Company. Mr. Li graduated from the Northern Jiaotong University with a Master's degree in Transportation Management and obtained the professional and technological qualification of an Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development. He was appointed as an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

MR. ZHU SHIXING

Aged 45, executive vice president of the Company and BYZCC. He also serves as the chairman and an executive director of Genvon, an associated company of the Company. Mr. Zhu graduated from the Beijing Sport University and the Central University of Finance and Economics with Bachelor's degrees in Management and Finance respectively, and obtained the professional and technological qualification of an Assistant Economist of the PRC. Mr. Zhu has extensive experience in real estate project construction management. He was appointed as a vice president of BYZCC in June 2010 and was promoted as an executive vice president of BYZCC and was also appointed as an executive vice president of the Company in October 2014.

MR. WAN LEE CHAM

Aged 54, treasurer of the Company, Mr. Wan graduated from the Hong Kong Baptist College in 1983 with the Honours Diploma in Accounting and received a Master's degree in Information Technology from the UK Coventry Polytechnic in 1988. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to his service with the Company, he was the General Manager in Finance and Administration of the China Digital satNet Limited and the Project Financial Controller of the C.P. Pokphand Co. Ltd. (SEHK stock code: 43). Mr. Wan has extensive and valuable experience in financial management. He was appointed the treasurer of the Company in February 2014 and was appointed as the chief financial officer of China Logistics in October 2014.

DIRECTORS AND SENIOR MANAGEMENT

MR. CHENG CHING FU

Aged 41, financial controller and deputy company secretary of the Company, Mr. Cheng graduated from Curtin University, Perth, Western Australia with a Bachelor's degree in Commerce, major in Accounting and Finance, and then obtained his MBA degree in University of South Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He was appointed the financial controller and deputy company secretary of the Company in October 2013.

MR. TIAN YUE

Aged 52, vice president of the Company and a senior vice president of BYZCC, the general manager and an executive director of China Logistics. Mr. Tian graduated from Northwestern Polytechnical University with a Bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed as a vice president of BYZCC in June 2010 and was promoted as a senior vice president of BYZCC and was also appointed as a vice president of the Company in February 2014.

MS. LI XIN

Aged 50, senior vice president of BYZCC. Ms. Li graduated from Renmin University of China with a bachelor's degree in Industrial Economics and Management, and obtained the professional and technological qualification of Senior Accountant of the PRC. Ms. Li has extensive experience in financial management. She was appointed as a senior vice president of BYZCC in February 2014.

MR. JIANG WEI

Aged 51, senior vice president of BYZCC. Mr. Jiang graduated from Harbin Railway Technical College majoring in railway engineering. Mr. Jiang has engaged in the fields of railway project construction and automobile trading for a long time and has extensive experience in engineering and trading. He was appointed as a senior vice president of BYZCC in October 2014.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to report the business results of Beijing Properties Holdings ("BPHL" or the "Group") for 2014. 2014 has been a good year for BPHL. We continue to grow at a solid and healthy pace in strengthening our three pillar businesses and explore new business with long-term investment value despite difficult condition.

Since 2013, we have established three major business arms: 1) e-commerce and bonded logistics facilities, 2) cold-chain logistics for foods and 3) commercial properties and real estate and our management team has been putting sturdy effort in facilitating the development of these businesses and assets in a professional manner in order to enhance our continuing profitability and to lay a solid groundwork for seeking better return in the future. During the year, the achievements in three major businesses are as follows:

1. The logistics industry in China, in recent years, has been riding the fast booming trend of online retail sales driven by the change in consumption pattern and favourable government policies. To seize the fast accelerating demand on logistics facilities from the vigorous online retail sales, especially in the first-tier cities in China, the Group has actively completed several key acquisitions of logistics facilities in 2013 and successfully built our today's China Logistics business, a platform for logistics infrastructures specialised in e-commerce and bonded storage businesses, which currently comprises 天津萬士隆國際物流有限公司 (Tianjin Transwell International Logistics Co., Ltd.) ("WSL Logistics") and 天域萬隆物流(天津)有限公司 (Transwealth Logistics (Tianjin) Co., Ltd.) ("Transwealth Logistics") at the Tianjin Airport, 上海凡宜和倉儲有限公司 (Shanghai Phoenix Real Estate Fund Warehousing Co., Ltd.) ("Shanghai Phoenix WGQ") in the Shanghai Pilot Free Trade Zone, and 北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd.) which is under development in Majuqiao, Tongzhou, Beijing. We have recorded a very positive performance in 2014 from the Shanghai Phoenix WGQ, WSL Logistics and Transwealth Logistics located in Shanghai and Tianjin respectively by recording significant year-on-year growth in revenues. The development of Majuqiao of Logistics Park is on-schedule and progressing well.

   The objectives of the Group are to further develop this platform and to become one of the top three players in the logistics industry in China for the coming four years and to have a rentable area of at least 3 million square metres. To achieve these goals, in terms of partnership, we have entered into cooperation with Mitsui and Mitsubishi by accepting an investment of RMB888 million from them in 2014 (which will represent 35% of the enlarged share capital of China Logistics if converted) in order to speed up the development and expansion our logistic facilities nationwide. In terms of acquisitions and investment, the Group has several pipeline projects in strategic locations like Chengdu, Xiamen, Tianjin, Nanjing and Wuhan being identified and under review. We, therefore, have great deal of confidence that the development of China Logistics business will be able to bring in significant contribution in the growth of revenue and shareholders' return.

CHAIRMAN'S STATEMENT

2. With regard to our cold-chain logistics business, it currently operates under China Hui Ying Food (Holdings) Co. Limited ("China Food") which comprises of 衢州通成國際物流有限公司 (Quzhou Tongcheng International Logistics Co.,Ltd.) ("Quzhou Tongcheng") at Quzhou, Zhejiang, a first class wholesaling complex for agricultural products containing shops and trading centre and 天津中漁置業有限公司 (Tianjin Zhongyu Properties Co., Ltd) ("TJ Zongyu") in the 天津市中心漁港經濟區 (Tianjin Marine Economic Area), a platform for aquatic products to be completed in June 2015. As a strategic expansion of our logistics business leveraging on our expertise in logistics and warehouse industry in China, our goal is to become one of the China's leading suppliers of cold chain storage and wholesaling market of agricultural products in the next four years and to have cold storage capacity of approximately 1 million tons. To facilitate the growth of this business, we have already entered into a letter of intent for securing a long-term tenancy of twenty years for TJ Zhongyu, with Mr. Zhang Junqing, a key leader in the aquatic industry in China. While for Quzhou Tongcheng, with the operation of Phase I to be commenced in May 2015 and Phase II including shops, cold storage warehouse and hotel facilities to be approved by the local government in the soon future, the development of cold-chain logistics business will be taken into full swing.

   Besides, in July 2014, we have entered into a JV agreement with Beijing Foreign Economic & Trade Holding Corporation Ltd (an independent third-party) for establishing a JV company, BCOF International Trading Co., Ltd, to develop a nationwide supply chain and cold logistics network of safe and high quality food in China. This transaction is subject to completion but it marks an important step for our cold food chain logistics business expansion.

   We are very confident towards the development of cold-chain infrastructure in China as it is a vital part to the country's food supply chain to ensure national food security and safety. The strategy of China Food is to invest, develop and operate a nationwide network of cold chain logistics for food and to become the market leading supplier. Our first step will be to focus on cold storage warehouses, then step into central kitchen and cold transportations.

In February 2014, PAG, a leading alternative investment fund management group in Asia, made a strategic investment in the Group by acquiring a US$80 million convertible note of the Group which demonstrates a strong vote of confidence of the capital market towards our development strategies and future growth potential. The Group will spend extra efforts in promoting investor relations in order to gain further success in the capital market.

Looking ahead, we believe the exponential growth of e-commerce industry will continue to generate strong demand on modern logistics facilities in China. According to Ministry of Commerce, China's annual e-commerce transaction volume which includes both online business-to-business and retail transactions is expected to have soared 25% year-on-year to RMB13 trillion and online retail sales alone reached RMB2.8 trillion in 2014, up 49.7% year-on-year. However, as the world's largest e-commerce market, figures show that the penetration rate of logistics facilities per capita in China still falls behind developed countries and the logistics cost as percentage of GDP is relatively higher than those areas, therefore, the logistics development in China still has ample room to develop in order to match the fast growing market demand.

CHAIRMAN'S STATEMENT

Nevertheless, the increasing barriers of entry into the logistics properties market, such as limited access to industrial land supply, lack of financial resources or development expertise, suggests only a limited number of participants have the capabilities to develop their own logistics facilities in the market and we are currently ranked one of the top ten in China.

Another growth driver is our cold-chain logistics business as the development of cold chain facilities in China is far slower than general warehouses and no outstanding market leader has been identified. As mentioned, the increasing concern of food security and safety will create pressing needs on replacing the existing inefficient old-styled cold-chain facilities with modern and advanced one. However, due to its even more capital intensive nature, the entry barrier is even higher.

In view of the future potential of the whole logistics market, we, as a state-owned enterprise, are confident that with our strong parent company background, superior position in accessing quality land resources, our rich experience and stable strong client base, we will be able to outcompete in the market, marginalise other players and become the top three players in the logistics industry in China.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude and appreciation to our shareholders, business counterparts and customers for their enduring support and continuing commitment to the Group, as well as our staff for their continuing loyalty and dedication in marking a milestone for the Group in 2014.

Yu Li
Vice Chairman

30 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2014 (the "Fiscal Year 2014"), the Group recorded a consolidated profit attributable to the shareholders of the Company of approximately HK$166.88 million, as compared to the consolidated profit attributable to the shareholders of the Company of approximately HK$700.96 million recorded in the year ended 31 December 2013 (the "Fiscal Year 2013"). The reason of the decrease in consolidated profit attributable to the shareholders of the Company of current year was mainly attributable to the reversal of provision for litigation of HK$139.33 million and gains on bargain purchase of subsidiaries of HK$456.74 million recorded during the Fiscal Year 2013 and was no such one-off reversal of provision for litigation and only recorded gain on bargain purchase of subsidiaries of HK$58.88 million during the Fiscal Year 2014.

BUSINESS REVIEW

The Group is principally engaged in logistics infrastructure business in China. Through continuous acquisitions and investments in previous years, our core business is currently operated by two major operating platforms:

1. China Logistics

China Logistics is our platform for logistics infrastructures specialised in e-commerce and bonded storage businesses, which is held as to 65% by the Company and as to 35% by MJQ, a joint venture incorporated by the Mitsui & Co., Ltd. and the Mitsubishi Estate Co., Ltd., if MJQ converts the Redeemable Equity Instrument to ordinary shares of China Logistics.

China Logistics currently owns rentable area of 820,807 square metres and approximately 248,607 square metres are in operations, details of which include:–

Name of Group company	Location of warehouses	Interest (%)	Planned rentable area (m^2)	Completed rentable area (m^2)	Occupancy rate as at 31 December (%) 2014	(%) 2013	Major tenants
BIPL*	Majuqiao district in the North-East region of Beijing, next to the intersection of Jinghu Expressway and South 6th Ring Road of Beijing	76	549,200	–	**–**	–	InterLog, Best Express, DHL, China Railway Group, etc. *(Note 1)*
Shanghai Phoenix WGQ	Gaoqiao Town of Putong New District, North-East region of Pudong District	100	211,985	211,985	**94.48**	78.98	Nippon Express, Kintetsu Express, MOL Logistics, Mitex Logistics, DCH, etc.
WSL Logistics	Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone)	70	24,922	24,922	**96.4**	96.67	Kintetsu Express, Nippon Express, Kerry Logistics, COSCO
Transwealth Logistics	Site F, Tianjin Airport International Logistics Zone	70	34,700	11,700	**100**	–	SF Express *(Note 2)*
Total			820,807	248,607			

* Joint venture of the Group.

Note 1: Those tenants of BIPL had signed binding letter of intent only.

Note 2: SF Express had underwritten the whole area of 11,700 m^2 of Phase I of Transwealth Logistics for their self use and had entered into a letter of intent for underwriting the whole area of 23,000 m^2 of Phase II upon its completion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1. **China Logistics (Continued)**

(a) The Majuqiao Logistics Park is the largest project to be invested, developed and operated by BIPL as well as the Group, which, upon completion, will be the largest integrated logistics facility in North China. The whole project will be completed by three phases. The land for phase I of the project is expected to be obtained before 30 June 2015, which, upon completion, will contain gross floor area of approximately 356,200 m^2 and construction of it is expected to be completed in twelve months after the construction started. Currently approximately 76.36% of the gross floor area has been rented out by potential tenants with an average proposed pre-business-tax rent at approximately RMB1.15 per m^2 per day. Constructions of the whole three phases is expected to be completed in approximately eighteen months after the construction of Phase I started, subject to the progress of availability of the land used for Phase II and Phase III.

(b) Shanghai Phoenix WGQ project was historically the largest acquisition completed by the Group which consists of 23 units of warehouses. Through continuous efforts since the completion in November 2013, the occupancy rate for the rentable area was increased continuously to approximately 94.48% as at 31 December 2014, with an average pre-business-tax rent at approximately RMB1.5 per m^2 per day (which ranged from RMB1.3 to RMB2.2 per m^2 per day). We expect that the occupancy rate of this project can be maintained at approximately the same level in 2016. However, competition is becoming keen given a new warehouse with similar size will be launched by Global Logistics Properties Ltd, the largest player of the industry in China, in the second half of 2016.

(c) The warehouse of WSL Logistics is still the sole bonded warehouse of the Tianjin Binhai International Airport. Such monopoly status had ensured high occupancy rate and stable income of it. The occupancy rate for the rentable area of it was 96.4% as at 31 December 2014, with an average pre-business-tax rent at approximately RMB1.64 per m^2 per day (which ranged from RMB0.9 to RMB2 per m^2 per day).

(d) Since its completion, the Phase I of the warehouse of Transwealth Logistics had been handed over to SF Express since middle of September 2014. SF Express is the sole tenant of the warehouse fully underwriting the 11,700 m^2 of Phase I with an average pre-business-tax rent at approximately RMB0.84 per m^2 per day. In addition, SF Express intends to fully underwriting the 23,000 m^2 of Phase II of the warehouse, with the intended pre-business rent of approximately RMB0.88 per m^2 per day.

The strategy of China Logistic is to become one of the top three players in the logistics industry in China for the coming four years. To achieve this goal, the Group finally accepted the investments of RMB888 million by Mitsui and Mitsubishi during 2014 (which will represent 35% of the enlarged share capital of China Logistics if converted) to speed up its development. We are committed to expand our network of facilities nationwide continuously, pipeline projects in strategic locations like Chengdu, Xiamen, Tianjin, Nanjing and Wuhan are being reviewed and appropriate announcement will be made when transaction happened.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2. China Hui Ying Food (Holdings) Co. Limited ("China Food")

The first key focus of our establishment is to build up the nationwide cold storage facilities, which is our platform for logistics infrastructures specialised in cold-chain logistics for foods. As implied by its name, unlike China Logistics which specialises solely in storage, China Food is a wholly-owned subsidiary of the Company involves in whole chain starting from food sourcing, food processing, trade market and cold storage transportation and sales.

China Food currently owns a total rentable area of 92,600 m^2 which are under constructions. Details of which include:–

Name of subsidiaries	Location of warehouses	Interest (%)	Type of facilities	Rentable area (m^2) under constructions	Expected date of completion	Major tenant(s)
Tianjin Zhongyu	Tianjin Marine Economic Area	60	Cold-chain logistics platform for aquatic products including processing, storage and trading	66,497	June 2015	Mr. Zhang Junqing
衢州通成農業發展有限公司 (Quzhou Tongcheng Agriculture Development Co., Ltd, "Quzhou Tongcheng") (Formerly known as 衢州通成國際物流有限公司 (Quzhou Tongcheng International Logistics Company))	No. 2012, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang	100	Shops, distribution and trading centre for agricultural products	26,103	Completed and operation is expected to commence in May 2015	Quzhou Fruit and Vegetable Association, Quzhou Counsel of Dry Grocery
Total				92,600		

(a) TJ Zhongyu will be developed into a platform for aquatic products. Phase I of 66,497 m^2 with storage capacity of approximately 100,000 tonnes, which is also the first 100,000 tonnes logistics park in Tianjin, is expected to be completed in June 2015. There has spare land of approximately 53,000 m^2 available for development of Phase II in future, subject to the business development of Phase I and the finalisation of plot ratio with the local government. Mr. Zhang Junqing, an individual as well as a 20% minority shareholder of TJ Zhongyu, is willing to fully underwrite the whole Phase I for a rental period of twenty years at a pre-business tax rent of RMB1.3 per m^2 per day and RMB0.7 per m^2 per day for cold storage warehouse and general warehouse respectively. The rent will be incremented by 4% per year since the 4th anniversary and then will be increased by 6% per year starting from the 11th anniversary. A letter of intent was signed with Mr. Zhang accordingly. Mr. Zhang is the permanent honourable chairman of 中華全國工商業聯合會水產業商會 (the "China Aquatic Production Chamber of Commerce") who is a key leader in the aquatic industry in China.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2. China Hui Ying Food (Holdings) Co. Limited ("China Food") (Continued)

(b) Quzhou Tongcheng is a project cooperated with the People's Government of the Quzhou City. It is a newly developed complex containing shops and trading centre for the migration of the old trading centre in the same city. The existing trading centre was granted the status of first class wholesaling centre for agricultural products, covering a surrounding market with an area of approximately 150 square miles and a population of approximately 30 million peoples, and annual turnover of approximately RMB5.2 billion. Currently Phase I with rentable area of 26,103 m^2 was completed and over 90% of the tenants of the old trading centre had entered into tenancy agreements to move to our new trading centre. Apart from average rent of approximately RMB1 per m^2 per day, the new trading centre under Quzhou Tongcheng will also enjoy commission income of 1% of all transactions done through it. It is expected the Phase I will formally commence operation on 1 May 2015. Quzhou Tongcheng is also planning the Phase II development, which will develop a total rentable area of approximately 136,500 m^2, including shops of approximately 72,500 m^2, cold storage warehouse of approximately 25,000 m^2, general warehouse of approximately 24,000 m^2 and a hotel of approximately 15,000m^2, however, all of which are subject to final approval by the local government.

Capitalised on the urgent need of safety food and modernisation of cold chain in China, the strategy of China Food is to invest, develop and operate a nationwide network of cold chain logistics for food. First stage of it will focus on cold storage warehouses, then stepping into central kitchen and cold transportations.

3. Apart from the two platforms abovementioned, the Group's other operating assets include the followings:–

(a) Metro Mall: It is a 99% owned shopping mall owned by Guangzhou Guangming, which is situated at the Beijing Road shopping district, Yuexiu District of the Guangzhou City of China. Metro Mall has a gross floor area of approximately 62,000 m^2, and is a 11-storey shopping centre providing dining, entertainment, shopping and cultural experience to customers. Since the successful introduction of the International All Stars Cinema and the Mopark Department Store in 2012, the revenue of the mall is improving continuously. It is expected that, due to the long term tenancy period and profit-sharing mechanism signed with the tenants, the revenue will be increased by not less than 10% annually in the coming four to five years. Currently the occupancy rate of which is maintained at approximately 90% or above.

(b) Holiday Inn BJ. It is a wholly-owned subsidiary of the Group, and is a four star business and leisure hotel providing 333 elegantly decorated rooms to business travelers. It is located at the business district of Financial Street, Xicheng District of Beijing and due to its convenience to access, the average occupancy rate of it had always maintained at 80% or above. The hotel is a cash generating asset which can maintain its operation and distribute stable dividend to the Company when needed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

4. Other value investments: During the year, the Group acquired non-controlling stake in Genvon and has proposed to acquire non-controlling stake in CAQ, which are:–

(a) Genvon Group Limited ("Genvon", SEHK stock code: 2389): We are the approximately by 20.86% single largest shareholder of Genvon. Genvon will focus on investment, development and operation of elder care, medical and recovery related properties in first tier cities of China. We believe that this industry will has fast development and growth in coming years and prosperous return will be enjoyed by the Group.

(b) Cell Aquaculture Limited (Australian Stock Exchange code: CAQ): By injection of the Haikou Peace Base Holdings Limited ("HPB", which the Company has 40% equity interests) to exchange for the new shares of CAQ, we will own approximately by 12.67% interest in CAQ. HPB will operate a complex of exhibition centre, plants and warehouses with an aggregate rentable area of 87,000 m^2 for jewelry industry. It also has licenses of e-commerce to develop the online sales of diamond in China in future. Capitalized on the state policy of developing the Hainan Island into the International Tourism Island, the customs of the Haikou Integrated Free Trade Zone ("HIFTZ") was recently granted by the General Administration of Customs of China (海關總署) the second window of diamond exchange in China. Since HPB is the sole company engaged in the diamond industry in HIFTZ, the HIFTZ and its customs will closely cooperate with HPB to operate the exchange. Given the sales of diamond is increasing significantly in China, with an annual growth rate of not less than 40%, the Company believes HPB will achieve remarkable results in future, thus will benefit the Company and its shareholders.

BUSINESS PROSPECT

The logistics industry in China met its boost in recent years due to the unexpectedly fast growth of online retail sales. E-commerce sales had been increased from approximately RMB26 billion in 2006 to approximately RMB1,850 billion in 2013, and it is expected that the amount will reach RMB3,119 billion in 2015, which means a compound average growth rate of 65%. As a result of it, the demand for logistics facilities is being significantly driven in China, and the overall imbalance in demand and supply had led to low vacancy rate and annual stable growth of 5% to 10% in income in the past few years. Actually, as compared to other developed countries like South Korea, Japan, Australia, United Kingdom, Italy, Germany, France, Canada and the United States of America ("USA"), whose logistics cost as percentage of GDP are 9%, 8.5%, 10.5%, 8.8%, 9.7%, 8.8%, 9.5%, 8.5% and 9% respectively, or even comparing to other developing countries like Brazil and India whose logistics cost as percentage of GDP are 11.6% and 13% respectively, the high logistics cost of 18% as percentage of GDP in China is leading continuously increasing outsourcing trend by enterprises in order to achieve greater efficiency and enhance profitability. When compared to the penetration rate of logistics facilities of 5.06 m^2 per capita in the USA, the extremely low rate of 0.41m^2 in China has already affected Chinese overall economic development. The government had repeatedly mentioned the development of logistics industry is a state policy, it is generally believed that the logistics property market, which is a very essential part of the whole logistics industry, will have ample and prosperous opportunities in the forseeable future. Unlike logistics transportation, entry barriers of logistics property are high due to its capital intensive nature and its higher reliance on the participant's accessibility to land. That explained why limited participants can be qualified in the market and we are currently ranked one of the top ten in China.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECT (Continued)

Another urgent issue need to be seriously resolved in China is food safety, particularly in the developed cities like Beijing and Shanghai as the advocation of it is strong due to continuous increasing number of middle class. Besides, having obtained stable sales, e-commerce operators now are trying to step into the frozen items which also cause the demand of cold chain logistics facilities boosted suddenly. Capitalised on the strong demand, the Group targets to develop the cold chain of safety food from sources to products, that is, including the sourcing, production, processing, packaging, storing, transporting and selling of safe aquatic agricultural and livestock foods in China. The core step of us is to build up a nationwide network of modernized cold storage facilities to provide stable cash flow and income at the beginning, and then connecting the network to other value-added services such as food processing (central kitchen), cold chain transportation, etc. Actually, development of cold chain facilities in China is even far slower that general warehouses and there is no outstanding market leader. Counted by cold-chain capacity per capita, China's data is not only less than Europe or USA, but is also much less than other developing countries such as Brazil and India. The existing facilities in China are mostly old styled which have characteristics of high energy-consuming and low capacity, and the result of which is wastage of million tons of perishable foods annually in China. Given there existed a strong demand of modernization of cold chain logistics, it is generally believed that even solely investing in cold storage warehouses can also generate attractive returns to investments. Again, however, due to investments in cold chain is even more capital intensive than general warehouses, the number of qualified participants will also be limited.

Being a state-owned enterprise, the Group can participate in the logistics infrastructures industry easier than others due to our accessibility to land, low funding costs and stable client networks:

1. Accessibility to land: Currently local/district governments are reluctant to provide land for logistics development due to low tax and employment contributions to the district and due to so many cases happened previously that land function was changed illegally after land was acquired at lower cost by name of logistics development. Private enterprises, unless the land is purchased by a higher price with high tax and investment commitments, currently it is not easy to obtain land in prime location. Benefiting from the state-owned background of us, and having good reputation of keeping promises to governments, we can minimize these kind of difficulties.

2. Given the strong background of the parent company, we are easier to obtain funding for development at lower cost. The current average funding cost of us is approximately 4.3%, which can further enhance our faster development when compared to 8% to 10% funding cost of other private enterprises.

3. Through year of operations, we have established a stable client base including many large enterprises in various industries like Kerry Logistics, MOL Logistics, Nippon Express, Sinotrans, SF Express, etc. Stable relationships have been maintained and it becomes our rich resources of tenancy of new projects.

We believe that our above strengths will continue to lead us to success. The Group has set out long term development target: three million m^2 of rentable area for general warehouses and one million tonnes storage capacity for cold warehouses in the coming four years and become one of the top three players in the logistics industry in China. We will achieve the target by continuous investments and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue (net of business tax) for the Fiscal Year 2014 amounted to approximately HK$202.98 million, representing an increase of approximately HK$167.13 million or 466.19%, from approximately HK$35.85 million for the Fiscal Year 2013. The gross profit for the Fiscal Year 2014 amounted to approximately HK$166.64 million, representing an increase of approximately HK$134.7 million, or 421.73% from approximately HK$31.94 million for the Fiscal Year 2013. The increase was primarily due to full year revenue was recognised for the Fiscal Year 2014, compared to only two to five months' revenue was recorded after completion of acquisitions of WSL Logistics and Shanghai Phoenix WGQ during the Fiscal Year 2013. In addition, the acquisition of Holiday Inn BJ and reclassification of Guangzhou Guangming from a joint venture to a subsidiary (when revenue consolidate to the Group), since August 2014 had further contributed the increase.

The revenue contributions of our assets include:

	Fiscal Year 2014		Fiscal Year 2013		Change	
	Revenue	**GP Margin**	Revenue	GP Margin	Revenue	GP Margin
Name of assets	***HK$'000***	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Shanghai Phoenix WGQ	**106,815**	**94.36**	19,878	98.08	86,937	-3.72
WSL Logistics	**17,740**	**96.57**	6,510	96.96	11,230	-0.39
Transwealth Logistics	**1,286**	**100.00**	–	–	1,286	N/A
Lugang	**9,723**	**68.87**	9,460	64.81	263	4.06
Metro Mall	**23,494**	**88.63**	–	–	23,494	N/A
Holiday Inn BJ	**43,925**	**45.30**	–	–	43,925	N/A
The Group	**202,983**	**82.09**	35,848	89.1	167,135	-7.01

Shanghai Phoenix WGQ

The revenue (net of business tax) contribution of Shanghai Phoenix WGQ for the Fiscal Year 2014 amounted to approximately HK$106.82 million, representing an increase of approximately HK$86.94 million or 437.32% from approximately HK$19.88 million of the Fiscal Year 2013. The increase was primarily due to a full year of revenue recognised for Fiscal Year 2014 while revenue of Fiscal Year 2013 only accounted for two months' since our acquisition on 1 November 2013. Besides, since efforts had been made by management, occupancy rate for the rentable area of it was improved from approximately 78.98% as at 31 December 2013 to approximately 94.48% as at 31 December 2014. The gross profit margin was slightly decreased from approximately 98.08% of Fiscal Year 2013 to approximately 94.36% of Fiscal Year 2014 due to additional direct expenses of property agent commission.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue and gross profit analysis (Continued)

WSL Logistics（天津萬士隆）

The revenue (net of business tax) contribution of WSL Logistics for the Fiscal Year 2014 amounted to approximately HK$17.74 million, representing an increase of approximately HK$11.23 million or 172.5% from approximately HK$6.51 million of the Fiscal Year 2013. The increase was primarily due to a full year of revenue recognised for Fiscal Year 2014 while revenue of Fiscal Year 2013 only accounted for five months since our acquisition on 1 August 2013. The occupancy rate for the rentable area of WSL Logistics was approximately 96.4% as at 31 December 2014, which represented a slight decrease of approximately 0.27 percentage point from approximately 96.67% as at 31 December 2013. However, the gross profit margin was slightly decreased by approximately 0.39 percentage point, from approximately 96.96% of the Fiscal Year 2013 to approximately 96.57% of the Fiscal Year 2014.

Transwealth Logistics（天域萬隆）

The entire 11,700 m^2 of Phase I of Transwealth Logistics had been handed over to SF Express since the middle of September 2014. SF Express is the sole tenant fully underwriting the Phase I. The revenue (net of business tax) contribution of this project for the Fiscal Year 2014, which represented three and a half months operation, amounted to approximately HK$1.29 million and the gross profit margin of it was approximately 100% due to no direct expenses were incurred for Fiscal Year 2014.

Lugang

During the Fiscal Year 2014, the revenue of Lugang amounted to approximately HK9.72 million, which represented an increase of approximately HK$0.26 million, or 2.75%, from approximately HK$9.46 million of the Fiscal Year 2013. The improvement was due to the increase in occupancy rate of warehouses and offices. The occupancy rate for the rentable area of warehouse and office was approximately 85.48% as at 31 December 2014 and approximately 79.65% as at 31 December 2013. The gross profit margin of Lugang was approximately 68.87% for the Fiscal Year 2014, representing an increase of approximately 4.06 percentage points, from approximately 64.81% of the Fiscal Year 2013. The moderate improvement of the gross margin was mainly attributable to improved control on direct costs.

Metro Mall

Since 31 July 2014, the Group obtained control over 廣州光明房產建設有限公司 ("Guangzhou Guangming"), the owner of the Metro Mall, and which had been reclassified from a joint venture to a subsidiary of the Group. After the reclassification, the revenue (net of business tax) contribution, which mainly represented the rental income of it from August to December of the Fiscal Year 2014, amounted to approximately HK$23.5 million (if the control happened Guangzhou Guangming at the beginning of the Fiscal Year 2014, the revenue of it was approximately HK$51.81 million). The gross profit margin of it was approximately 88.63% and the occupancy rate for the rentable area was approximately 90.65% as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue and gross profit analysis (Continued)

Holiday Inn BJ

The acquisition of the Holiday Inn BJ was completed on 7 August 2014. After the completion, the revenue (net of business tax) mainly represented accommodation revenue, food and beverage sales and rendering of ancillary services. Accommodation revenue was mainly determined by the number of rooms available, average room occupancy rate and average charging rates of the rooms. After the completion, the revenue (net of business tax) contribution of hotel operation for the Fiscal Year 2014 amounted to approximately HK$43.93 million, the gross profit margin was 45.32%, the average room occupancy rate was approximately 80.86%, and the average room charging rate was approximately RMB543.99 per day. Accommodation revenue of the Fiscal Year 2014 amounted to approximately HK$26.38 million and the gross profit margin of accommodation revenue was approximately 49.56%. Food and beverage sales comprised of catering for banquet, coffee shop, room catering services for guests and other sales in restaurants and bars in the hotel. The sales revenue of food and beverage for Fiscal Year 2014 amounted to approximately HK$11.25 million and the gross profit margin was approximately 15.58%. Revenue from rendering of ancillary services mainly represented income generated from gift shops, business centre, transportation, laundry and additional service charges on revenue of accommodation service, food and beverage sales and other services. The revenue from rendering of ancillary services of Fiscal Year 2014 amounted to approximately HK$6.3 million and the gross profit margin of rendering of ancillary services was approximately 80.65%.

Gains on bargain purchases of subsidiaries

During the Fiscal Year 2014, an inherit acquisition of an additional 19% equity interest in Guangzhou Guangming at a consideration of approximately HK$47.22 million, which had been proposed prior to the Group acquired Guangzhou Guangming on 31 December 2013, were approved by the relevant government authorities on 31 July 2014. The aggregate fair values of the net assets acquired at the date of acquisition was approximately HK$106.1 million. Accordingly, gains on bargain purchases of subsidiaries of approximately HK$58.88 million were resulted and recognised in the consolidated statement of profit or loss. During the Fiscal Year 2013, pursuant to various sale and purchase agreements entered into between the Group and the respective vendors, the Group acquired controlling interests in High Broad HK, High Church, Phoenix WGQ and Oriental Union Investment Limited ("Oriental Union") with an aggregate consideration of approximately HK$1,402.82 million. The aggregate fair values of the net assets acquired at the respective dates of acquisition was approximately HK$1,859.56 million. Accordingly, gains on bargain purchases of subsidiaries of approximately HK$456.74 million were resulted and recognised in the consolidated statement of profit or loss for the Fiscal Year 2013.

Other income and gains, net (including gains on debt restructurings)

During the Fiscal Year 2014, the net other income and gains were approximately HK$119.41 million, which represents a decrease of approximately HK$17.74 million, or 12.93%, from approximately HK$137.15 million of the Fiscal Year 2013. The decrease was mainly attributable to the combined net effect of: (i) decrease of approximately HK$17.93 million in interest income as a result of decrease in cash balances; (ii) increase of approximately HK$30.01 million in gains on debt restructurings; and (iii) the absence of foreign exchange gain of approximately HK$20.94 million for Fiscal Year 2013 which had turned to a loss of approximately HK$20.1 million for Fiscal Year 2014 due to continuous depreciation of RMB and which was recognised as "other expenses".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Selling and distribution expenses

During the Fiscal Year 2014, the selling and distribution expenses were approximately HK$5.83 million, which represents an increase of approximately HK$4.82 million, or 477.23%, from approximately HK$1.01 million for the Fiscal Year 2013. The increase was mainly attributable to the selling and distribution expenses incurred by Holiday Inn BJ after the completion of the acquisition on 7 August 2014.

Administrative expenses

During the Fiscal Year 2014, the administrative expenses were approximately HK$180 million, which represents an increase of approximately HK$63.79 million, or 54.89%, from approximately HK$116.21 million of the Fiscal Year 2013. The increase in administrative expenses was mainly attributable to the combined net effect of: (i) an increase in staff costs of approximately HK$29.94 million, as a result of staffs costs consolidated from Holiday Inn BJ since the completion of acquisition in August 2014 and full year's staff costs of WSL Logistics and Shanghai Phoenix WGQ was recorded for the Fiscal Year 2014; and (ii) the increase in the equity-settled share option expense of approximately HK$25.3 million (2014: approximately HK$55.16 million; 2013: approximately HK$29.86 million) for share options granted.

Reversal of provision/(provision) for compensation and litigations

During the Fiscal Year 2014, provision for compensation amounting to HK$2.2 million was recognised by Guangzhou Guangming in respect of demolishing and reallocating compensation to the residents affected during the construction of the Metro Mall in previous years.

During the Fiscal Year 2013, approximately HK$15.8 million was made for provision for litigations (for interests and overdue penalties on overdue bank loans subject to litigations), however, an agreement for waive of part of the interests was finally entered into between the bank and Lugang in December 2013, pursuant to which Lugang paid approximately HK$72.8 million to fully settled the bank loans plus the overdue interests and penalties. The settlement had been paid on 9 December 2013. Legal proceedings were then withdrawn by the bank and actions had been taken to release the properties in distraint. An overprovision of approximately HK$155.1 million was then written back and there was no provision for litigation as at 31 December 2014.

Other expenses

During the Fiscal Year 2014, the other expenses were approximately HK$32 million, which represented an increase of approximately HK$22.19 million, or 226.2%, from approximately HK$9.81 million for the Fiscal Year 2013. The increase was mainly attributable to the increase in equity-settled share option expenses of approximately HK$4.74 million and a foreign exchange loss of approximately HK$20.1 million in the Fiscal Year 2014 (while that was a gain in Fiscal Year 2013).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Finance costs

Finance costs of the Fiscal Year 2014 amounted to approximately HK$123.92 million, representing an increase of approximately HK$86.06 million, or 227.31%, from approximately HK$37.86 million of the Fiscal Year 2013. The finance costs of the Fiscal Year 2014 mainly included: (i) imputed interest and coupon interest on convertible bonds of approximately HK$31.61 million and approximately HK$21.85 million respectively (2013: approximately HK$20.84 million and nil respectively), due to the new issue of the PAG Convertible Bonds during the Fiscal Year 2014; and (ii) interest on bank and other loans of approximately HK$70.42 million which were increased by approximately HK$58 million, or 466.99%, from approximately HK$12.42 million in the Fiscal Year 2013, and this increase is in line with the increase in bank and other borrowings from approximately HK$1.11 billion as at 31 December 2013 to approximately HK$2.3 billion as at 31 December 2014.

Share of losses of joint ventures

During the Fiscal Year 2014, the share of losses of joint ventures was approximately HK$20.44 million, representing an increase of approximately HK$3.48 million, or 20.52%, from approximately HK$16.96 million of the Fiscal Year 2013. It mainly included the share of loss of approximately HK$20.42 million of Guangzhou Guangming up to 30 July 2014, before it was reclassified to a subsidiary. The share of loss in the Majuqiao Logistics Park was decreased by approximately HK$16.94 million, or 99.88%, from approximately HK$16.96 million of the Fiscal Year 2013, mainly due to the increase in interest income on bank deposits held by the Majuqiao Logistics Park and the absent of exchange loss during the Fiscal Year 2014.

Share of profits of associates

During the Fiscal Year 2014, the profits of associates shared by the Group amounted to approximately HK$2.77 million, representing an increase of approximately HK$3.86 million, or 354.13%, from the losses of approximately HK$1.09 million in the Fiscal Year 2013. The profits generated by the associates in the Fiscal Year 2014 was mainly contributed by Genvon, our 20.86% associate, since the completion of acquisition.

Total assets

The total assets of the Group as at 31 December 2014 were approximately HK$9,555.33 million, representing an increase of approximately HK$4,107.1 million, or 75.38%, from approximately HK$5,448.23 million as at 31 December 2013. The increase mainly included: (i) the approximately HK$2,860.37 million of interests in Holiday Inn BJ, TJ Zhongyu and Genvon acquired during the year and the consolidation of the assets of Guangzhou Guangming after it became on subsidiary; (ii) the cash of approximately RMB511 million (equivalent to approximately HK$638.29 million) received as issuance of redeemable equity interest to MJQ; and (iii) approximately HK$314.95 million of fair value gains on investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Total liabilities

The total liabilities of the Group as at 31 December 2014 were approximately HK$5,243.37 million, representing an increase of approximately HK$3,292.57 million, or 168.78%, from approximately HK$1,950.8 million as at 31 December 2013. The increase mainly included: (i) the liability component of approximately HK$391.22 million related to the PAG Convertible Bonds; (ii) additional bank loans and other borrowings of approximately HK$1,192.01 million borrowed during the Fiscal Year 2014; (iii) the consolidation of liabilities of approximately HK$1,640.3 million after acquisitions of interests in Holiday Inn BJ and TJ Zhongyu and after Guangzhou Guangming became our subsidiary; and (iv) the redeemable equity interest of approximately RMB511 million (equivalent to approximately HK$638.29 million).

Total equity

The total equity attributable to shareholders of the Company as at 31 December 2014 was approximately HK$4,161.84 million, representing an increase of approximately HK$731.64 million, or 21.33%, from approximately HK$3,430.2 million as at 31 December 2013. The increase was mainly attributable to: (i) the equity component of approximately HK$247.32 million related to the PAG Convertible Bonds; (ii) issuance of 487,166,195 shares, which amounted to approximately HK$331.72 million, as consideration paid for the acquisitions of receivables from Beijing Holdings Ltd. ("BHL") and one of its subsidiaries during the Fiscal Year 2014; (iii) issuance of shares due to the exercise of shares options and the conversion of the convertible bonds by bondholders; and (iv) profit for the Fiscal Year 2014.

Cash flows

As at 31 December 2014, the cash and bank balances of the Group were approximately HK$1,241.76 million (31 December 2013: approximately HK$468.15 million), of which approximately HK$927.15 million were restricted cash (31 December 2013: approximately HK$199.63 million) according to covenants of bank loans and other investment agreements. During the Fiscal Year 2014, net cash generated from operating activities was approximately HK$25.65 million. Net cash used in investing activities was approximately HK$1,376.56 million, which mainly included: (i) approximately HK$781.54 million used for business acquisitions; (ii) approximately HK$369.66 million used in purchase of investment properties; and (iii) approximately HK$238 million used for the deposit of purchase of office building and for acquisition of a business. Net cash generated from financing activities was approximately HK$2,111.07 million, which was mainly represented by the net proceeds of approximately HK$616.29 million from issuance of the PAG Convertible Bonds, the proceeds of approximately HK$638.29 million from the issuance of redeemable equity instrument and the net increase in the bank and other borrowings of approximately of HK$989.96 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Liquidity and financial resources

As at 31 December 2014, for accounting purposes, the Group had total borrowings of approximately HK$3,333.91 million (31 December 2013: approximately HK$1,114.22 million) which included: (i) approximately HK$2,304.4 million from bank and other borrowings; (ii) approximately HK$391.22 million from PAG Convertible Bonds; and (iii) approximately HK$638.29 million from redeemable equity instrument. The Group's gearing ratio, which was defined as sum of bank and other borrowing, convertible bonds and redeemable equity instrument, net of cash and cash equivalents and restricted cash, divided by the total equity was approximately 48.52% (31 December 2013: approximately 18.47%). The increase in the gearing ratio as at 31 December 2014 was mainly due to the issuance of the PAG Convertible Bonds in February 2014, the new bank loans borrowed to finance the acquisitions and the issuance of redeemable equity instrument.

As at 31 December 2014, the Group's bank and other borrowing balance amounted to approximately HK$2,304.4 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 41.87%, 52.53% and 5.6%, respectively. Over 36.67% of these bank and other borrowings was repayable less than 1 year. As at 31 December 2014, the Group's cash and bank balances amounted to approximately HK$1,241.76 million, which was denominated in USD, HK$ and RMB as to 4.49%, 16.84% and 78.67%, respectively.

All of the bank and other borrowings bear interest at floating rates and the PAG Convertible Bonds bears coupon rate of 4% per annum. The cash and bank balances, together with the unutilised banking facilities, are able to finance the Group's businesses at the moment.

As at 31 December 2014, the Group's current ratio and quick ratio were approximately 73.82% and approximately 73.76% (31 December 2013: both were approximately 124.64%) respectively. As at 31 December 2014, all the financial covenants stipulated in the loan facility agreements and subscription agreement of the PAG Convertible Bonds have been complied.

The net total borrowings of the Group as at 31 December 2014 (total borrowings less cash and cash equivalents and restricted cash) was HK$2,092.15 million (2013: HK$646.07 million), representing an increase of HK$1,446.08 million as compared to the previous year.

Contingent liabilities

As at 31 December 2014, the Group had guarantees of approximately HK$42 million given in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by a subsidiary of the Group in prior years (31 December 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital expenditure

During the Fiscal Year 2014, the Group spent approximately HK$3,020.85 million (2013: approximately HK$2,575.96 million) as capital expenditures, which consisted of additions of property, plant and equipment and investment properties, including assets acquired through acquisitions of subsidiaries during the Fiscal Year 2014.

Capital commitments

As at 31 December 2014, the Group had outstanding contracted capital commitments amounted to approximately HK$2,330.45 million in aggregate which comprised of commitments for:

(i) the outstanding capital injection of approximately RMB1,140 million (equivalent to approximately HK$1,424.09 million) to be contributed into BIPL by the Group based on 76% of the total investment amount of RMB2 billion of BIPL (assumed all total investment will be contributed by capital injections by shareholders at the moment);

(ii) the outstanding construction cost of approximately RMB55.02 million (equivalent to approximately HK$69.25 million) committed for warehouse facilities of Quzhou Tongcheng, a wholly-owned subsidiary of the Group;

(iii) the outstanding construction cost of approximately RMB126.62 million (equivalent to approximately HK$159.38 million) committed for the cold storage warehouse facilities of TJ Zhongyu, a 60% subsidiary of the Group; and

(iv) the outstanding consideration of approximately RMB109.89 million (equivalent to approximately HK$137.26 million) payable for the acquisition of 50% of the registered capital of the BCOF International Trading Co., Ltd（北京北糧國際經貿有限公司, "BCOF"）.

In addition, as at 31 December 2013, the Group had authorised but not contracted capital commitments of approximately RMB56 million (equivalent to approximately HK$72 million) in respects of the estimated construction cost of a new warehouse for 天域萬隆物流（天津）有限公司, a 70% subsidiary of the Group.

Foreign exchange exposure

Majority of the subsidiaries of the Company operates in the PRC with most of the transactions denominated and settled in RMB or USD. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investments and acquisitions

(a) *Acquisition of Land Use Rights in Quzhou*

On 11 July 2014, Quzhou Tongcheng made a successful bid for the land use right for a parcel of land of approximately 227,396 square metres (the "Site") through an open tender auction organised and held by the Quzhou City Public Resources Exchange Center, at a cash consideration of RMB129,620,000 (equivalent to approximately HK$163,179,000). The Site is allowed for warehouse development and the land use right is for 40 years. The consideration was fully paid on 15 July 2014.

(b) *Proposed acquisition of 50% equity interest in a joint venture in PRC*

On 18 July 2014, the Company entered into a joint venture agreement with an independent third party in relation to the acquisition of 50% equity interest by cash capital injection of RMB219,782,600 into the BCOF. As at the date of this report, deposit of RMB111 million (equivalent to approximately HK$138.6 million) was paid as deposit, but the transaction has not been completed and is subject to fulfilment of certain conditions precedent. Further details of the acquisition are set out in the Company's announcements dated 18 July 2014, 24 July 2014 and 26 November 2014.

(c) *Acquisition of approximately 20.86% equity interest in Genvon Group Limited*

Pursuant to a conditional sale and purchase agreement dated 1 June 2014, the Group acquired approximately 20.86% equity interest of Genvon Group Limited, which is incorporated in the Cayman Islands and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (SEHK stock code: 2389), at a cash consideration HK$472,500,000. The transaction was approved by the shareholders of the Company at the special general meeting convened on 29 July 2014 and was completed on 3 September 2014. Further details of the acquisition are set out in the Company's announcements dated 2 June 2014 and 3 September 2014 and circular dated 8 July 2014, respectively.

(d) *Reclassification of Guangzhou Guangming from a joint venture to a subsidiary*

According to the memorandum and articles of association of Guangzhou Guangming, unanimous approval from all directors of Guangzhou Guangming is required for any resolution raised at its directors' meeting. As a result, in the opinion of the directors, the Group only has joint control over Guangzhou Guangming, notwithstanding that the Group has 80% equity interest and voting power in Guangzhou Guangming, and thus, the Group had classified the investment in Guangzhou Guangming as a joint venture and using equity method in accordance with HKAS 28 (2011) to account for Guangzhou Guangming since acquired it on 31 December 2013. During the year, the memorandum and articles of association of Guangzhou Guangming was amended (the "Amended M&A") and pursuant to which, the Group has seven out of nine directors in the board of directors of Guangzhou Guangming and all resolutions raised in the directors' meeting can be passed by majority of the board members. On 31 July 2014, the Amended M&A and an inherit acquisition of an additional 19% equity interest in Guangzhou Guangming, which had been proposed prior to the Group acquired Guangzhou Guangming on 31 December 2013, were approved by the relevant government authorities. Accordingly, the directors of the Company considered that (i) the Group has control over Guangzhou Guangming and reclassified the investment in Guangzhou Guangming from a joint venture to a subsidiary; (ii) the inherit acquisition of an additional 19% equity interest in Guangzhou Guangming was completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investments and acquisitions (Continued)

(e) *Acquisition of entire equity interest in Fuchang Investments Limited*

On 16 December 2014, Best Ring Investment Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party in relation to the acquisition of entire equity interest in Fuchang Investments Limited ("Fuchang"), at a cash consideration of HK$62,000,000. Fuchang holds 42.66% equity interest in Charmfull Investments Limited ("Charmfull") which then holds 25% equity interest of Holiday Inn BJ.

Charges on assets

As at 31 December 2014, the Group had bank loans with principal amounts of approximately HK$2,222.15 million being secured by certain investment properties, cash and bank balances, trade receivables, deposits paid for the acquisition of a business and an office premise and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

As at 31 December 2014, the Group had no pending litigation.

Employees and remuneration policies

As at 31 December 2014, the Group had a total of 549 (2013: 134) employees. Total staff costs incurred during the Fiscal Year 2014 amounted to approximately HK$117.23 million (2013: approximately HK$62 million) (including staff cost, directors' remuneration and equity settled option expenses). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are also awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE REPORT

The Company strongly committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Composition and role

The Board currently consists of twelve directors: comprising seven executive Directors, namely, Mr. Yu Li, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Jiang Xinhao, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Ang Renyi; and five independent non-executive Directors ("INED(s)"), namely, Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung. The principal function of the Board are to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisitions and disposal, and connected transactions, and to monitor the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the chief executive officer, chief financial officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. Newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2014.

Directors	Read materials	Attending seminars/ briefing
Executive directors		
Mr. Yu Li	✓	
Mr. Qian Xu	✓	✓
Mr. Jiang Xinhao	✓	✓
Mr. Siu Kin Wai	✓	✓
Mr. Yu Luning	✓	✓
Mr. Liu Xueheng	✓	
Mr. Ang Renyi	✓	
Mr. Xu Taiyan (resigned on 10 July 2014)	✓	
Ms. Meng Fang (resigned on 30 September 2014)	✓	
Independent non executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. Zhu Wuxiang	✓	
Mr. James Chan	✓	✓
Mr. Song Lishui		
Mr. Chan Yuk Cheung		
Mr. Ma Chiu Cheung, Andrew (resigned on 3 December 2014)	✓	✓
Mr. Ng Tang Fai, Ernesto (resigned on 3 December 2014)	✓	✓

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2014 were set out below:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Number of meetings held	5	3	3	2	5
Name of director	**Number of meetings attended**				
Executive directors					
Mr. Yu Li	4/5	N/A	N/A	N/A	0/5
Mr. Qian Xu	5/5	N/A	N/A	2/2	0/5
Mr. Siu Kin Wai	5/5	N/A	N/A	N/A	5/5
Mr. Jiang Xinhao	5/5	N/A	N/A	N/A	0/5
Mr. Yu Luning	3/5	N/A	2/3	1/2	0/5
Mr. Liu Xueheng	5/5	N/A	N/A	N/A	0/5
Mr. Ang Renyi	4/5	N/A	N/A	N/A	0/5
Mr. Xu Taiyan (resigned on 10 July 2014)	1/2	N/A	N/A	N/A	0/4
Ms. Meng Fang (resigned on 30 September 2014)	4/4	N/A	N/A	1/1	0/5
Independent non-executive directors					
Mr. Goh Gen Cheung	5/5	3/3	3/3	2/2	5/5
Mr. Zhu Wuxiang	5/5	1/3	N/A	N/A	1/5
Mr. James Chan	5/5	3/3	3/3	2/2	4/5
Mr. Song Lishui	1/1	1/1	N/A	N/A	N/A
Mr. Chan Yuk Cheung	1/1	0/1	N/A	N/A	N/A
Mr. Ma Chiu Cheung, Andrew (resigned on 3 December 2014)	4/4	2/2	3/3	2/2	4/5
Mr. Ng Tang Fai, Ernesto (resigned on 3 December 2014)	4/4	2/2	3/3	2/2	4/5

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

To improve the performance quality of the Company, the Board approved to adopt the board diversity policy on 30 August 2013. The Board believes that board member diversity can be achieved by considering various factors, including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge, term of services and other talents. All Board appointments are made with reference to the Company's business models and specific needs from time to time, and candidates will be considered with due regard for the benefits of diversity on the Board if allowed by objective business conditions. The nomination committee will be mainly responsible for identifying suitable and competent candidates for board members, and considering such candidates in light of objective conditions. As a part of the review on the annual performance of the Board, considerations made by the nomination committee will balance the skills and experience as required by business targets of the Company with diversity factors. To achieve board diversity, the nomination committee will discuss and develop measurable objectives from time to time, and propose the above to the Board for adoption and implementation. Generally speaking, selection of candidates by the nomination committee shall be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge and term of services. However, the final decision will depend on the strengths of candidates and their prospective contributions to the Board. The Board may improve one or more diversity perspectives from time to time, and implement the upgraded measurements. The nomination committee will review the policy from time to time, including conducting assessments on the effectiveness of the policy. The nomination committee will also discuss any amendment that may be necessary, and submit amendment proposals to the Board for approval.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFY

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against its Directors and officers. During the year, no claim was made against the directors and officers of the Company.

VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Until now, the Board has not elected and appointed chairman of the Company. All the chairman's duties and responsibilities are temporarily performed by the vice-chairman of the Company.

During the financial year ended 31 December 2014, the positions of the vice-chairman and the chief executive officer of the Company were held separately. The vice-chairman of the Company is Mr. Yu Li and the chief executive officer of the Company is Mr. Qian Xu. The segregation of duties of the vice-chairman and the chief executive officer ensures a clear distinction in the vice-chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year ended under review.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2014, except as disclosed herein below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under the code provision E.1.2, the chairman of the Board should attend the Annual General Meeting and invite the chairmen of Audit, Remuneration, Nomination and any other committees (as appropriate) to attend. Mr. Zhou Si has resigned as a chairman of the Company from 21 January 2014. Until now the Board has still not elected and appointed chairman of the Company. All the Chairman's duties and responsibilities are temporary performed by the vice-chairman of the Company. However, in the Annual General meeting held on 13 June 2014 (the "2014 AGM"), our vice-chairman was unable to attend the meeting due to his other commitments. He has appointed Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company to chair the meeting on his behalf and chairmen of the Audit, Remuneration and Nomination Committees had also attended the 2014 AGM.

Under the code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The meeting has been arranged on 27 August 2014. However, the vice-chairman could not attend due to his important business engagement in our ultimate holding. Nevertheless, from time to time, independent non-executive directors of the Company can express their views directly to the vice-chairman. The Company will ensure that there is sufficient communication between independent non-executive directors and the vice-chairman.

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

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Mr. Goh Gen Cheung (Chairman), Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Audit Committee is chaired by Mr. Goh Gen Cheung who is an associate member of the Chartered Institute of Bankers and has over 30 years of treasury, finance and banking experience. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing the Group's internal controls and risk management. In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

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

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

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

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

Summary of the work during the year, the Audit Committee reviewed the financial statements for interim and annual results, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance.

The Group's annual report for the year ended 31 December 2014 has been reviewed by the Audit Committee.

For details of the terms of reference of Audit Committee, please refer to the Company's website (www.bphl.com.hk) under the section headed "Management" and it is also available on request with the Company's investor relations.

Investment and Risk Management Committee

The Investment and Risk Management Committee was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

The members of the Investment and Risk Management Committee are Mr. Liu Xueheng (Chairman), Mr. Qian Xu, Mr. Jiang Xinhao, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang, and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are executive Directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of independent non-executive Directors to join the committee to provide independent and professional opinion.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Investment and Risk Management Committee (Continued)

Summarising the work done during the year, the Investment and Risk Management Committee reviewed and assessed all acquisitions and investments proposed by the senior management in terms of their benefits to the Company and the potential risks associated. For details of the terms of reference of Investment and Risk Management Committee, please refer to the Company's website under the section headed "Management" and it is also available on request with the Company's investor relations.

Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. James Chan, Mr. Yu Luning, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management with the Board retaining the final authority to approve executive directors' and senior management remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his own remuneration.

Summarising the work done during the year, the Remuneration Committee have reviewed remuneration policy and oversee the remuneration packages of executive directors and senior management taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

For details of the terms of reference of Remuneration Committee, please refer to the Company's website under the section headed "Management" and it is also available on request with the Company's investor relations.

Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. James Chan (Chairman), Mr. Goh Gen Cheung, Mr. Qian Xu, Mr. Yu Luning, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Board adopted a set of the terms of reference of the Nomination Committee effective from 30 August 2013, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Nomination Committee is mainly responsible for formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of directors and board succession.

Summarising the work done during the year, the Nomination Committee has reviewed the size, structure, composition, capability and diversity of the Board.

For details of the terms of reference of Nomination Committee, please refer to the Company's website under the section headed "Management" and it is also available on request with the Company's investor relations.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, external auditors' remuneration for audit services was approximately HK$6.9 million of which HK$3.8 million and HK$3.1 million were for annual audit services and for acting as reporting accountants in the Group's acquisition transaction respectively; and external auditors' remuneration for non-audit service assignments was approximately HK$2.9 million, which represented agree-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments for potential acquisitions. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework.

During the year ended 31 December 2014, the Board reviewed the operational and financial reports, budgets and business plans provided by the management.

The Board has conducted a review of the effectiveness of the system of internal controls of the Company. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study periodically, sometimes will be done with assistance from independent experts, to review and enhance the internal control system.

COMPANY SECRETARY

The company secretary of the Company is Mr. Siu Kin Wai, who is also the chief financial officer and executive director of the Company and fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Certified Accountants in England and Wales. Mr. Siu has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 54 to 55 of the "Independent Auditors' Report" in this annual report.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

The Board shall be on the written requisition of shareholders of the Company holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's head office and principal place of business in Hong Kong.

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.

4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.

5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the financial year ended 31 December 2014, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the "investor relations" section of the Company's website.

The above measures will provide shareholders with the latest development of the Group as well as the residential, commercial and logistics property industry.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 29 June 2012. There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31 December 2014. An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 19 to the financial statements. The Group is principally engaged in the investment, development and operation of logistics infrastructure facilities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 56 to 154. The Board does not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2014 are set out on page 156. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 155.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 37, 38 and 33 to the financial statements.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves (including contributed surplus and retained profits) available for distribution to shareholders amounted to HK$356,178,000.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of HK$423,880,000 as at 31 December 2014, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

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

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

In addition, the Company's share premium account, in the amount of HK$1,694,873,000, as at 31 December 2014 can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 21.53% of the Group's revenue for the year and revenue from the largest customer accounted for 5.14% of the Group's revenue for the year. Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchase for the year.

Except for the transaction with Beijing Leading Edge Container Services Company Limited, which is an associate of a substantial shareholder of the Company, further details of which are set out in the section with heading "Continuing connected transactions" below, none of the Directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five customers and suppliers.

DIRECTORS

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

Executive directors:

Mr. Yu Li *(Vice Chairman)*
Mr. Qian Xu *(Chief Executive Officer)*
Mr. Siu Kin Wai *(Chief Financial Officer and Company Secretary)*
Mr. Jiang Xinhao
Mr. Yu Luning
Mr. Liu Xueheng
Mr. Ang Renyi
Mr. Xu Taiyan (resigned on 10 July 2014)
Ms. Meng Fang (resigned on 30 September 2014)

REPORT OF THE DIRECTORS

DIRECTORS (Continued)

Independent non-executive directors ("INEDs"):

Mr. Goh Gen Cheung
Mr. Zhu Wuxiang
Mr. James Chan
Mr. Song Lishui (appointed on 3 December 2014)
Mr. Chan Yuk Cheung (appointed on 3 December 2014)
Mr. Ma Chiu Cheung, Andrew (resigned on 3 December 2014)
Mr. Ng Tang Fai, Ernesto (resigned on 3 December 2014)

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Jiang Xinhao, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out as follows:

BOARD CHANGES

Mr. Zhou Si resigned as an executive director and chairman of the Company and re-designated as the Company's consultant with effect from 21 January 2014.

Mr. Xu Taiyan resigned as an executive director of the Company and re-designated as the Company's consultant with effect from 10 July 2014.

Ms. Meng Fang resigned as an executive director of the Company, the member of nomination committee and investment and risk management committee; and re-designated as the Company's consultant with effect from 30 September 2014.

Mr. Ma Chiu Cheung, Andrew resigned as an independent non-executive director of the Company, the chairman of audit committee, the member of nomination committee and remuneration committee; and re-designated as the Company's consultant with effect from 3 December 2014.

Mr. Ng Tang Fai, Ernesto resigned as an independent non-executive director of the Company, the chairman of nomination committee, the member of audit committee and remuneration committee; and re-designated as the Company's consultant with effect from 3 December 2014.

Mr. Song Lishui and Mr Chan Yuk Cheung was appointed as an independent non-executive director of the Company and members of audit committee, nomination committee and remuneration committee with effect from 3 December 2014.

REPORT OF THE DIRECTORS

BOARD CHANGES (Continued)

Mr. Goh Gen Cheung was appointed as the chairman of the audit committee with effect from 3 December 2014.

Mr. James Chan was appointed as the chairman of the nomination committee with effect from 3 December 2014.

CHANGES IN DIRECTORS' INFORMATION

Mr. Siu Kin Wai was appointed as the chief financial officer of Genvon Group Limited with effect from 23 September 2014. However, Mr. Siu has resigned as the chief financial officer of Genvon Group Limited with effect from 27 March 2015 due to other commitments.

Mr. Liu Xueheng was appointed as an executive director of Genvon Group Limited with effect from 26 September 2014.

Mr. Goh Gen Cheung resigned as an independent non-executive director of Shinhint Acoustic Link Holdings Limited, a company listed on the SEHK (SEHK stock code: 2728) with effect from 30 November 2014.

Mr. James Chan was appointed as an non-executive director of Viva China Holdings Limited, a company listed on the SEHK (SEHK stock code: 8032) with effect from 28 June 2013.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 4 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung, INEDs of the Company, had entered into service agreements with the Company for a term of three years commencing on 1 May 2013, 1 January 2014, 3 June 2014, 3 December 2014 and 3 December 2014, respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 33 of this annual report.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY (Continued)

The Company has adopted a share option scheme as incentives to Directors and eligible persons, details of the scheme is set out in note 38 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS AND CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Messrs. Yu Li, Qian Xu and Jiang Xinhao, being the Directors, were also directors of Beijing Enterprises Group Real Estate Co., Ltd, which engages in business of property investment and development, and they were considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group.

As the Board is independent of the board of the aforesaid company and maintains five independent non-executive Directors, the Group operates its businesses independently of, and at arm's length from, the business of the aforesaid company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial owner	9,690,000	0.144

Long position in underlying shares of the Company:

The interests of the Directors and chief executives in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital. Further details of the Scheme are disclosed in note 38 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2014 as follows:

Name or category of participant	At 1 January 2014	Granted during the year (note 2)	Exercised during the year (note 2)	Cancelled during the year	At 31 December 2014	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options HK$ per share (note 1)
		Number of share options						
Directors:								
Mr. Yu Li	6,000,000	–	–	–	6,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	4,250,000	–	–	–	4,250,000	1-June-12	1-June-12 to 30-May-22	0.410
	11,000,000	–	–	–	11,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	9,000,000	–	–	9,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	4,000,000	–	–	4,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	21,250,000	13,000,000	–	–	34,250,000			
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	6,000,000	–	–	–	6,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	10,000,000	–	–	–	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	9,000,000	–	–	9,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	4,000,000	–	–	4,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	22,000,000	13,000,000	–	–	35,000,000			
Mr. Jiang Xinhao	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	3,300,000	–	–	–	3,300,000	1-June-12	1-June-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	4,000,000	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	2,000,000	–	–	2,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	14,300,000	6,000,000	–	–	20,300,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	5,000,000	–	–	–	5,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	5,000,000	–	–	5,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	3,000,000	–	–	3,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	16,000,000	8,000,000	–	–	24,000,000			
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	5,000,000	–	–	–	5,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	4,000,000	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	1,000,000	–	–	1,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	14,000,000	5,000,000	–	–	19,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2014	Granted during the year (note 2)	Exercised during the year (note 2)	Cancelled during the year	At 31 December 2014	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options HK$ per share (note 1)
Mr. Liu Xueheng	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	4,000,000	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	1,000,000	–	–	1,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	9,000,000	5,000,000	–	–	14,000,000			
Mr. Ang Renyi	4,000,000	–	(4,000,000)	–	–	24-May-13	24-May-13 to 23-May-23	0.574
	–	4,000,000	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	1,000,000	–	–	1,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	4,000,000	5,000,000	(4,000,000)	–	5,000,000			
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	1,837,700	–	–	–	1,837,700	1-June-12	1-June-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	1,500,000	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	5,837,700	1,500,000	–	–	7,337,700			
Mr. Zhu Wuxiang	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	1,500,000	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	4,000,000	1,500,000	–	–	5,500,000			
Mr. James Chan	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	1,500,000	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	4,000,000	1,500,000	–	–	5,500,000			
Mr. Xu Taiyan*	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	5,000,000	–	–	–	5,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	4,000,000	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	16,000,000	4,000,000	–	–	20,000,000			
Ms. Meng Fang**	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	5,000,000	–	–	–	5,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	4,000,000	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	2,000,000	–	–	2,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	16,000,000	6,000,000	–	–	22,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	At 1 January 2014	Granted during the year (note 2)	Exercised during the year (note 2)	Cancelled during the year	At 31 December 2014	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options HK$ per share (note 1)
	Number of share options							
Mr. Ma Chiu Cheung, Andrew***	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	1,837,700	–	–	–	1,837,700	1-June-12	1-June-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	1,500,000	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	5,837,700	1,500,000	–	–	7,337,700			
Mr. Ng Tang Fai, Ernesto****	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	1,837,700	–	–	–	1,837,700	1-June-12	1-June-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	1,500,000	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	5,837,700	1,500,000	–	–	7,337,700			
Other employees and consultants in aggregate:	148,000,000	–	(6,000,000)	–	142,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	263,550,000	–	(8,300,000)	–	255,250,000	1-June-12	1-June-12 to 30-May-22	0.410
	113,000,000	–	–	–	113,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	–	135,500,000	–	–	135,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	22,000,000	–	–	22,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	524,550,000	157,500,000	(14,300,000)	–	667,750,000			
	682,613,100	230,000,000	(18,300,000)	–	894,313,100			

Notes:

* Mr. Xu Taiyan has been re-designated as the Company's consultant upon his resignation from executive director on 10 July 2014.

** Ms. Meng Fang has been re-designated as the Company's consultant upon her resignation from executive director on 30 September 2014.

*** Mr. Ma Chiu Cheung Andrew has been re-designated as the Company's consultant upon his resignation from independent non-executive director on 3 December 2014.

**** Mr. Ng Tang Fai Ernesto has been re-designated as the Company's consultant upon his resignation from independent non-executive director on 3 December 2014.

Notes:

1. The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$0.88 per share. The closing price of the Company's shares immediately before the date of grant of share options on 31 March 2014 and 28 August 2014 was HK$0.89 per share and HK$0.75 per share during the year, respectively.

3. Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The Directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of share options granted during the year	Theoretical value of share options (HK$'000)
Mr. Yu Li	13,000,000	5,008
Mr. Qian Xu	13,000,000	5,008
Mr. Jiang Xinhao	6,000,000	2,285
Mr. Siu Kin Wai	8,000,000	2,990
Mr. Yu Luning	5,000,000	2,019
Mr. Liu Xueheng	5,000,000	2,019
Mr. Ang Renyi	5,000,000	2,019
Mr. Goh Gen Cheung	1,500,000	657
Mr. Zhu Wuxiang	1,500,000	657
Mr. James Chan	1,500,000	657
Mr. Xu Taiyan (resigned on 10 July 2014 and re-designated as a consultant of the Company)	4,000,000	1,752
Ms. Meng Fang (resigned on 30 September 2014 and re-designated as a consultant of the Company)	6,000,000	2,285
Mr. Ma Chiu Cheung, Andrew (resigned on 3 December 2014 and re-designated as a consultant of the Company)	1,500,000	657
Mr. Ng Tang Fai, Ernesto (resigned on 3 December 2014 and re-designated as a consultant of the Company)	1,500,000	657
Other employees and consultants	157,500,000	38,178
	230,000,000	66,848

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Asset Appraisal Limited, independent qualified professional valuers, using binomial model on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

For the year ended 31 December 2014, the Group recognised the total expense of HK$66,848,000 (2013: HK$36,821,000) in relation to share options granted by the Company.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, so far as was known to the directors or chief executive of the following persons (not being Directors or chief executive of the Company) had, an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

		Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest			Approximate percentage of the Company's issued share capital
Name	Notes	Directly beneficially owned	Through a controlled corporation	Directly beneficially owned	Through a controlled corporation	Total	(%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	23.08%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,417,076,407	1,557,792,500	–	–	3,974,868,907	58.88%
北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd.)	(c)	–	3,974,868,907	–	–	3,974,868,907	58.88%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.30%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.51%
Beijing Enterprises Group Company Limited	(f)	–	4,549,486,560	–	–	4,549,486,560	67.39%
Thular Limited	(g)	354,400,000	–	–	–	354,400,000	5.25%
Kerry Holdings Limited	(g)	–	354,400,000	–	–	354,400,000	5.25%
Kerry Group Limited	(g)	–	354,400,000	–	–	354,400,000	5.25%
PA Broad Opportunity VI Limited	(h)	–	–	838,573,244	–	838,573,244	12.42%
Pacific Alliance Asia Opportunity Fund L.P.	(h)	–	–	–	838,573,244	838,573,244	12.42%
Pacific Alliance Group Asset Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%
Pacific Alliance Group Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%
Pacific Alliance Investment Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%
PAG Holdings Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 Shares.

(b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,417,076,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 Shares of Brilliant Bright by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) BEREHK is a wholly-owned subsidiary of Beijing Enterprises Group Real-Estate Co., Ltd ("BE Real Estate"). BE Real Estate is deemed to be interested in the Shares which BEREHK is interested in.

(d) Illumination Holdings Limited ("Illumination") holds 87,451,458 Shares.

(e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 Shares of Illumination by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.

(f) BE Real Estate and BHL are wholly-owned subsidiaries of BE Group. BE Group is deemed to be interested in the Shares which BE Real Estate and BHL are interested in.

(g) Thular Limited ("Thular") (formerly known as Timekey Limited) is the beneficial owner of 354,400,000 Shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the Shares held by Thular.

(h) PA Broad Opportunity VI Limited holds 838,573,244 underlying shares through its ownerships in the convertible bonds with principal amount of RMB490,510,000 (equivalent to approximately US$80,000,000) of the Company which are convertible at HK$0.74 per Share.

Save as disclosed above, as at 31 December 2014, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and at arm's length basis. Certain transactions set out in note 46 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.45 of the Listing Rules are provided in the paragraph headed "Connected Transactions" as identified below.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

On 24 January 2014, the Company entered into an agreement pursuant to which BHL agreed to sell, and the Company agreed to purchase, all the BHL's rights and title to and interest in the receivables of HK$11,360,536 and HK$90,028,555 in QUIL and in GZGM respectively.

On 14 February 2014, the Company entered into a supplemental agreement pursuant to which BHL agreed to sell, and the Company agreed to purchase, all the BHL's rights and title to and interest in the receivables and interest of HK$191,464,862 in GZGM. The consideration for the acquisition amounted to HK$292,853,953 and was settled by the Company issuing and allotting to BHL 433,199,610 new ordinary shares of the Company. Further details of the transaction are set out in the Company's circular dated 7 March 2014.

On 8 April 2014, the Company entered into an agreement pursuant to which BHL agreed to sell, and the Company agreed to purchase, all BHL's rights and title to and interest in the receivables and interest of HK$46,950,929 in 北京陸港國際物流有限公司 ("Lugang"). The consideration for the acquisition amounted to HK$46,950,929 and was settled by the Company issuing and allotting to BHL 53,966,585 new ordinary shares of the Company. Further details of the transaction are set out in the Company's circular dated 9 May 2014.

Continuing connected transactions

The Group had the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

(a) On 17 April 2012, Beijing Yun Zhong Investment Consulting Co., Ltd（北京允中投資咨詢有限公司）, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with BHL (a then controlling shareholder of the Company and currently a fellow subsidiary of the Company), in respect of renting an office which located at 10th Floor, Jing Tai Building, C24 Jian Guo Men Wai Avenue, Beijing, PRC. Further details of the tenancy agreement are set out in the Company's announcement dated 17 April 2012. During the year ended 31 December 2014, the rental expense for the above office premises was approximately RMB1,441,224 (equivalent to approximately HK$1,813,925).

(b) On 31 December 2012, Lugang, a non-wholly owned subsidiary of the Company, entered into tenancy agreements with Beijing Leading Edge Container Services Company Limited, an associate of a substantial shareholder, in respect of leasing a warehouse of approximately 3,100 square metres which located at Zone A, No. A1, Dongsihuan, Nanlu Chaoyang District, Beijing, PRC (the "Zone A Premises"); and leasing a warehouse of approximately 8,023 square metres, platform office of 194.40 square metres and an office of 260 square metres which located at Zone B, No.1 A1 Dongsihuan, Nanlu Chaoyang District, Beijing, PRC (the "Zone B Premises"). Further details of the tenancy agreements are set out in the Company's announcement dated 31 December 2013. During the year ended 31 December 2014, the rental income for the above Zone A Premises was RMB781,200 (equivalent to approximately HK$983,218), the rental income for the above Zone B Premises was RMB1,956,297 (equivalent to approximately HK$2,462,196).

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) On 1 August 2013, 天津萬士隆國際物流有限公司 ("WSL Logistics"), a non-wholly owned subsidiary of the Company, entered into tenancy agreements with 天津萬士隆集團有限公司 ("Tianjin WSL"), 天津萬士隆物業管理有限公司 ("Tianjin WSL Estate Management"), 天津君融實業有限公司 ("Tianjin Junrong") and 天津萬士隆貨運有限公司 ("Tianjin WSL Huoyun"). Tianjin WSL holds 30% equity interest in each of WSL Logistics and Tianjin WSL Huoyun and 100% equity interest, in each of Tianjin WSL Estate Management and Tianjin Junrong. On 3 November 2014, WSL Logistics and Tianjin WSL Estate Management entered into a termination agreement for the lease at Zone E2-101 of the customs warehouse, and entered into a new tenancy with Tianjin WSL File Management Service Ltd. ("Tianjin WSL File Management") to take over the lease for the remaining period.

Details of the tenancy agreements are as follows:

Tenant		Premises	Approximate area	Rental income for the year ended 31 December 2014
1.	Tianjin WSL	Office at Zone E1-101 of the Customs Warehouse, Tianjin, PRC	339.29 square metres	RMB222,914 (equivalent to approximately HK$280,560)
2.	Tianjin WSL Estate Management	Office at Zone E2-101 of the Customs Warehouse, Tianjin, PRC	182.45 square metres	RMB100,493 (equivalent to approximately HK$126,480)
		Warehouse at Zone A16 of the Customs Warehouse, Tianjin, PRC	601.5 square metres	RMB207,120 (equivalent to approximately HK$260,681)
3.	Tianjin WSL File Management	Office at Zone E2-101 of the Customs Warehouse, Tianjin, PRC	182.45 square metres	RMB19,376 (equivalent to approximately HK$24,387)*
4.	Tianjin Junrong	Office at Zone E2-102 of the Customs Warehouse, Tianjin, PRC	156.84 square metres	RMB103,044 (equivalent to approximately HK$129,691)
5.	Tianjin WSL Huoyun	Office at Zone C 2/F-C100 of the Customs Warehouse, Tianjin, PRC	221.82 square metres	RMB145,736 (equivalent to approximately HK$183,423)
		Warehouse at Zone B15 of the Customs Warehouse, Tianjin, PRC	387.22 square metres	RMB213,336 (equivalent to approximately HK$268,505)

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) (Continued)

In addition, pursuant to a management service agreement entered into between WSL Logistics and Tianjin WSL Estate Management. WSL Logistics acquired estate management services from Tianjin WSL Estate Management. During the year ended 31 December 2014, the management fee expense was RMB353,332 (equivalent to approximately HK$444,704).

On 20 November 2014, Transwealth Logistics (Tianjin) Co., Ltd ("Transwealth Logistics") and Tianjin WSL Estate Management entered into a property management services agreement in respect of the property comprising warehouses and office located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. During the year ended 31 December 2014, the management fee expense was RMB23,013 (equivalent to approximately HK$28,964).

Further details of the tenancy agreements and the management agreement were set out in the Company's announcements dated 1 August 2013, 15 January 2015 and 16 January 2015.

* The new tenancy signed on 3 November 2014

The Directors of the Company confirmed that the Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company had reviewed these continuing connected transactions and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
31 October 2013	Term loan facility with a syndicate of banks	USD120 million	October 2016	Note 1
24 January 2014	Subscription agreement for issuance of convertible bonds	RMB490.51 million	February 2019	Note 2
21 February 2014	Term loan facility with a bank	HK$327 million	February 2016	Note 1
7 May 2014	Term loan facility with a bank	HK$88 million	May 2016	Note1

Notes:

1. The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure BE Group to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company to cure such default within the time specified by the bankers. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan under the Agreement(s), accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.

2. The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, directly or indirectly, through BE Group or other companies under its supervision and control, holds at least 40% of the Company's issued and outstanding capital stock or does not control the Company. If the Company fails to perform or comply with this, the holder(s) of the convertible bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's convertible bonds of their early redemption amount together with any interest accrued but unpaid to such date.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Board, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 50 to the financial statements.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the financial year ended 31 December 2014 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code, except as disclosed in Corporate Governance Report.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2014 were approved by the Board on 30 March 2015.

ON BEHALF OF THE BOARD
Yu Li
Vice Chairman

Hong Kong
30 March 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

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To the shareholders of Beijing Properties (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 154, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

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.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**202,983**	35,848
Cost of sales and services		**(36,345)**	(3,909)
Gross profit		**166,638**	31,939
Fair value gain on investment properties, net	15	**314,951**	193,801
Gains on debt restructurings	6	**90,585**	60,575
Gains on bargain purchases of subsidiaries	40	**58,876**	456,741
Other income and gains, net	5	**28,824**	76,576
Selling and distribution expenses		**(5,832)**	(1,011)
Administrative expenses		**(180,004)**	(116,214)
Reversal of provision/(provision) for compensation and litigations, net	34	**(2.238)**	139,333
Other expenses		**(32,006)**	(9,805)
Finance costs	7	**(123,918)**	(37,857)
Share of profits and losses of:			
Joint ventures	19(a)(ii)	**(20,440)**	(16,961)
Associates	20(b)	**2,773**	(1,086)
PROFIT BEFORE TAX	8	**298,209**	776,031
Income tax	11	**(107,199)**	(53,228)
PROFIT FOR THE YEAR		**191,010**	722,803
Attributable to:			
Shareholders of the Company	12	**166,876**	700,962
Non-controlling interests		**24,134**	21,841
		191,010	722,803
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic		**HK2.52 cents**	HK11.23 cents
Diluted		**HK2.43 cents**	HK9.35 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**191,010**	722,803
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences:			
Translation of foreign operations		**(72,949)**	44,893
Reclassification adjustments for gain on deregistration of a subsidiary included in profit or loss	41	**–**	2,859
– Share of other comprehensive income/(loss) of:			
Joint ventures		**(24,846)**	12,405
Associates		**447**	444
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(97,348)**	60,601
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
– Actuarial losses of defined benefit plans		**(2,316)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		**(99,664)**	60,601
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**91,346**	783,404
Attributable to:			
Shareholders of the Company		**70,693**	762,935
Non-controlling interests		**20,653**	20,469
		91,346	783,404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**887,181**	20,925
Investment properties	15	**5,209,917**	2,919,061
Prepaid land lease payments	16	**250,112**	263,614
Goodwill	17	**212,650**	149,881
Investments in joint ventures	19	**451,072**	943,187
Investments in associates	20	**478,365**	50,578
Available-for-sale equity investment	21	**3,541**	3,630
Deposits paid for acquisitions of businesses and additional interest in a joint venture	22	**138,601**	200,912
Deposit paid for acquisition of a building		**135,642**	41,625
Prepayments, deposits and othe receivables	26	**53,321**	25,614
Total non-current assets		**7,820,402**	4,619,027
CURRENT ASSETS			
Properties held for sale	23	**101,471**	–
Inventories	24	**1,253**	–
Trade receivables	25	**13,085**	16,118
Prepayments, deposits and other receivables	26	**80,806**	32,986
Due from joint ventures	19	**295,537**	311,932
Due from related parties	27	**1,023**	10
Restricted cash	28	**927,154**	199,633
Cash and cash equivalents	28	**314,602**	268,521
Total current assets		**1,734,931**	829,200
CURRENT LIABILITIES			
Trade payables	29	**73,115**	659
Other payables and accruals	30	**257,121**	80,807
Due to joint ventures	19	**4,163**	48,291
Due to related parties	27	**11,340**	322,521
Bank and other borrowings	31	**844,985**	207,722
Redeemable equity instrument	32	**638,287**	–
Convertible bonds	33	**–**	1,832
Income tax payables		**8,226**	3,418
Provision for compensation and litigations	34	**513,096**	–
Total current liabilities		**2,350,333**	665,250
NET CURRENT ASSETS/(LIABILITIES)		**(615,402)**	163,950
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,205,000**	4,782,977

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Due to related parties	27	**238,095**	30,395
Bank and other borrowings	31	**1,459,417**	904,669
Convertible bonds	33	**391,219**	–
Defined benefit plans	35	**15,089**	–
Deferred tax liabilities	36	**789,212**	350,481
Total non-current liabilities		**2,893,032**	1,285,545
Net assets		**4,311,968**	3,497,432
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	37	**675,059**	624,312
Reserves	39(a)	**3,486,778**	2,805,887
		4,161,837	3,430,199
Non-controlling interests		**150,131**	67,233
Total equity		**4,311,968**	3,497,432

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

		Attributable to shareholders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 39(a)(ii))	Capital reserve HK$'000	Convertible bond equity reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserves HK$'000 (note 39(a)(iii))	Deferred benefit plan reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		383,779	–	367,278	78,535	5	174,952	65,815	–	–	86,503	1,156,867	(15,455)	1,141,412
Profit for the year		–	–	–	–	–	–	–	–	–	700,962	700,962	21,841	722,803
Other comprehensive income for the year:														
Exchange differences:														
– Translation of foreign operations		–	–	–	–	–	–	46,265	–	–	–	46,265	(1,372)	44,893
– Reclassification adjustment upon deregistration of a subsidiary	41	–	–	–	–	–	–	2,859	–	–	–	2,859	–	2,859
Share of other comprehensive income of:														
– A joint venture		–	–	–	–	–	–	12,405	–	–	–	12,405	–	12,405
– An associate		–	–	–	–	–	–	444	–	–	–	444	–	444
Total comprehensive income for the year		–	–	–	–	–	–	61,973	–	–	700,962	762,935	20,469	783,404
Issue of shares upon exercise of share options	37(a)	30	131	–	(38)	–	–	–	–	–	–	123	–	123
Issue of shares upon conversion of convertible bonds	37(b)	228,160	1,338,780	–	–	–	(166,940)	–	–	–	–	1,400,000	–	1,400,000
Issue of shares upon acquisition of subsidiaries	37(c), 40	12,343	61,110	–	–	–	–	–	–	–	–	73,453	62,219	135,672
Equity-settled share option arrangements	38(b)	–	–	–	36,821	–	–	–	–	–	–	36,821	–	36,821
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	33	–	–	–	–	–	(7,754)	–	–	–	7,754	–	–	–
Transfer between reserves		–	–	–	–	–	–	–	2,705	–	(2,705)	–	–	–
At 31 December 2013 and 1 January 2014		624,312	1,400,021*	367,278*	115,318*	5*	258*	127,788*	2,705*	–	792,514*	3,430,199	67,233	3,497,432
Profit for the year		–	–	–	–	–	–	–	–	–	166,876	166,876	24,134	191,010
Other comprehensive income/(loss) for the year:														
Exchange differences:														
– Translation of foreign operations		–	–	–	–	–	–	(70,047)	–	–	–	(70,047)	(2,902)	(72,949)
Share of other comprehensive income/(loss) of:														
– Joint ventures		–	–	–	–	–	–	(24,846)	–	–	–	(24,846)	–	(24,846)
– Associates		–	–	–	–	–	–	447	–	–	–	447	–	447
Defined benefit obligation - Actuarial losses		–	–	–	–	–	–	–	–	(1,737)	–	(1,737)	(579)	(2,316)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(94,446)	–	(1,737)	166,876	70,693	20,653	91,346
Issue of shares upon exercise of share options	37(a)	1,830	10,641	–	(3,982)	–	–	–	–	–	–	8,489	–	8,489
Issue of shares upon conversion of convertible bonds	37(b)	200	1,204	–	–	–	(172)	–	–	–	–	1,232	–	1,232
Issue of shares upon acquisition of receivables	37(d), (e)	48,717	283,007	–	–	–	–	–	–	–	–	331,724	–	331,724
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	–	220,171	220,171
Acquisition of a non-controlling interest		–	–	–	–	5,331	–	–	–	–	–	5,331	(157,926)	(152,595)
Equity-settled share option arrangements	38(b)	–	–	–	66,848	–	–	–	–	–	–	66,848	–	66,848
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	33	–	–	–	–	–	(86)	–	–	–	86	–	–	–
Issue of convertible bonds	33	–	–	–	–	–	247,321	–	–	–	–	247,321	–	247,321
Transfer between reserves		–	–	–	–	–	–	–	299	–	(299)	–	–	–
At 31 December 2014		675,059	1,694,873*	367,278*	178,184*	5,336*	247,321*	33,342*	3,004*	(1,737)*	959,177*	4,161,837	150,131	4,311,968

* These reserve accounts comprise the consolidated reserves of HK$3,486,778,000 (2013: HK$2,805,887,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit before tax		**298,209**	776,031
Adjustments for:			
Gain on deregistration of a subsidiary	5	**–**	(5,187)
Gain on bargain purchase of subsidiaries	40	**(58,876)**	(456,741)
Bank interest income	5	**(8,255)**	(24,928)
Interest income on a loan receivable	5	**(18,751)**	(19,851)
Gains on debt restructurings	6	**(90,585)**	(60,575)
Gain on disposal of an associate	5	**–**	(3,692)
Loss on disposal of items of property, plant and equipment	8	**132**	–
Write-off of items of property, plant and equipment	8	**–**	2,803
Fair value gain on investment properties	15	**(314,951)**	(193,801)
Depreciation	14	**15,720**	2,272
Amortisation of prepaid land lease payments	16	**6,753**	6,766
Provision/(reversal of provision) for compensation and litigations, net	34	**2,238**	(139,333)
Equity-settled share option arrangements	8	**66,848**	36,821
Cost of defined benefit plans	8	**1,045**	–
Finance costs	7	**123,918**	37,857
Share of losses of joint ventures	19	**20,440**	16,961
Share of losses/(profits) of associates	20	**(2,773)**	1,086
Operating profit/(loss) before working capital changes		**41,112**	(23,511)
Increase in inventories		**(39)**	–
Decrease in trade receivables		**12,738**	2,150
Decrease/(increase) in prepayments, deposits and other receivables		**(18,620)**	55,009
Decrease/(increase) in amounts due from related parties		**(1,013)**	144
Decrease in trade payables		**(5,687)**	(3,885)
Increase in other payables and accruals		**12,625**	19,377
Decrease in defined benefit plans		**(403)**	–
Settlement for compensation and litigations	34	**(3,352)**	(72,789)
Cash generated from/(used in) operations		**37,361**	(23,505)
Tax paid		**(11,710)**	(4,311)
Net cash inflow/(outflow) from operating activities		**25,651**	(27,816)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(3,859)**	(8,955)
Proceeds from disposal of items of properties, plant and equipments		**8**	–
Acquisition of investment properties		**(369,664)**	(9,269)
Acquisition of a land use right	16	**–**	(21,904)
Acquisition of subsidiaries	40	**(247,041)**	(1,135,494)
Acquisition of associates		**(472,500)**	(51,228)
Acquisition of a non-controlling interest		**(62,000)**	–
Increase in an investment in a joint venture		**–**	(153,273)
Net repayment from a joint venture		**3,373**	36,671
Proceeds from deregistration of a subsidiary		**–**	8,100
Proceeds from disposal of an associate		**21,030**	5,147
Deposits paid for acquisitions of businesses		**(138,601)**	(153,691)
Deposit paid for the acquisition of a building		**(99,404)**	(41,625)
Increase in time deposits with maturity of more than three months when acquired		**(27,480)**	–
Interest received		**19,574**	28,903
Net cash used in investing activities		**(1,376,564)**	(1,496,618)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in amounts due to related parties		**(75,500)**	169,367
New loans		**1,357,268**	146,634
Repayment of loans		**(367,305)**	(18,965)
Issue of convertible bonds	33	**616,286**	–
Issue of redeemable equity instrument	32	**638,287**	–
Redemption of convertible bonds	33	**(650)**	(61,160)
Interests paid		**(65,801)**	(30,350)
Exercise of share options	37(a)	**8,489**	123
Loan from a non-controlling shareholder		**–**	2,583
Net cash from financing activities		**2,111,074**	208,232
Net increase/(decrease) in cash and cash equivalents		**760,161**	(1,316,202)
Cash and cash equivalents at beginning of year		**468,154**	1,769,367
Effect of foreign exchange rate changes		**(14,039)**	14,989
Cash and cash equivalents at end of year		**1,214,276**	468,154
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balance other than time deposits and restricted cash		**227,980**	248,555
Time deposits	28	**86,622**	19,966
Cash and cash equivalents as stated in the consolidated statement of financial position		**314,602**	268,521
Restricted cash	28	**927,154**	199,633
Non-pledged time deposits with maturity of more than three months when acquired		**(27,480)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,214,276**	468,154

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**71**	49
Investments in subsidiaries	18	**2,711,029**	2,007,434
Deposit paid for acquisition of a business	22	**138,601**	–
Total non-current assets		**2,849,701**	2,007,483
CURRENT ASSETS			
Due from subsidiaries	18(c)	**874,626**	663,532
Due from a joint venture	19	**–**	15,050
Prepayments, deposits and other receivables	26	**888**	769
Cash and cash equivalents	28	**12,567**	115,698
Total current assets		**888,081**	795,049
CURRENT LIABILITIES			
Due to the immediate holding company	27	**2,116**	41,841
Due to subsidiaries	18(c)	**299**	11,743
Other payables and accruals	30	**24,661**	3,079
Bank borrowing	31	**30,000**	–
Convertible bonds	33	**–**	1,832
Total current liabilities		**57,076**	58,495
NET CURRENT ASSETS		**831,005**	736,554
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,680,706**	2,744,037
NON-CURRENT LIABILITIES			
Bank borrowing	31	**45,000**	–
Convertible bonds	33	**391,219**	–
Total non-current liabilities		**436,219**	–
Net assets		**3,244,487**	2,744,037
EQUITY			
Issued capital	37	**675,059**	624,312
Reserves	39(b)	**2,569,428**	2,119,725
Total equity		**3,244,487**	2,744,037

Qian Xu
Director

Siu Kin Wai
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

Beijing Properties (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

- development and leasing of commercial properties in the mainland ("Mainland China") of the People's Republic of China (the "PRC") and provision of related management services, and operating a hotel in Beijing, the PRC

- provision of logistics services, including leasing of warehouse facilities and provision of related management services

In the opinion of the directors, the immediate holding company of the Company is Beijing Enterprises Real Estate (HK) Limited ("BEREHK", a limited liability company incorporated in the British Virgin Islands) and the ultimate holding company of the Company is 北京控股集團有限公司 ("Beijing Enterprises Group"), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

2.1 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

Despite that (i) the Group had capital commitments of HK$1,790,020,000 in aggregate as at 31 December 2014 as detailed in note 44 to the financial statements; and (ii) the Group had net current liabilities of HK$615,402,000 as at 31 December 2014, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's profit forecast and cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

(a) for the capital commitment in respect of a capital contribution to a joint venture, an amount of approximately HK$295,537,000 is expected to be fulfilled by the proceeds from settlement of an amount due from that joint venture to the Group as at 31 December 2014, and a total amount of approximately HK$949,316,000 is expected to be fulfilled by the Group after the year ending 31 December 2015, by reference to the terms of the respective agreements and the capital requirement of that joint venture;

(b) a bank loan amounting to HK$342,000,000, which was included in current liabilities of the Group as at 31 December 2014, had been renewed in February 2015 with a renewed repayment date in February 2016;

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

Basis of presentation (Continued)

(c) based on past experience and current communications with the compensation recipients, the directors of the Company expect that actual settlement of a significant portion of the provisions for compensation and litigations, which were included in current liabilities of the Group as at 31 December 2014 with a total amount of approximately HK$513,096,000, will only be made after 31 December 2015. In addition, the Group is in active negotiations with various local government authorities to provide housing compensation to those recipients and in which case, the cost of which to be borne by the Group would be lower than monetary compensations;

(d) subsequent to the reporting period, on 30 January 2015, the Company entered into a sale and purchase agreement with an associate of the Group, Genvon Group Limited ("Genvon"), pursuant to which the Group would dispose of and Genvon would acquire the entire interest in Zhi Jian Limited (a subsidiary of the Company, which, through its subsidiaries, owns certain property, plant and equipment and investment properties of the Group) for a total cash consideration of HK$408,000,000. As at the date of approval of these financial statements, the transfer is pending approval by the shareholders of Genvon and is not yet completed;

(e) as at 31 December 2014, the Group has unutilised banking facilities amounting to HK$125,000,000 and investment properties, which are free from any charges and encumbrances, with an aggregate carrying amount of HK$352,246,000, that are available for pledging purposes, should additional funding is required by the Group; and

(f) if necessary, the Company may obtain additional funding through equity financing.

Based on cash flow projection of the Group which takes into account the above, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet with its financial obligations in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to 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. The financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributable to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control according to the accounting policy for subsidiaries adopted by the Company. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Other than as further explained below regarding the impact of Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Amendment to HKAS 32, HK(IFRIC)-Int 21, and Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(d) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

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

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

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

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

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

(b) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

(c) The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

(d) The amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) confirm the exemption from preparing consolidated financial statements continue to be available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures its subsidiary at fair value through profit or loss. The amendments also clarify a subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries and an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by HKFRS 12. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)

(e) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

(f) HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

(g) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(h) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, goodwill, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 holding company 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 holding company, 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 to 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 holding company of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Buildings and hotel property	Over the shorter of the lease terms and 40 years
Leasehold improvements	Over the shorter of the lease terms and 4 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and, subsequent to initial recognition, stated at fair value at the end of the reporting period when the fair value can be determined reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of a completed investment properties or an investment properties under construction are recognised in profit or loss in the period of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and an available-for-sale equity investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as other income in profit or loss. The loss arising from impairment is recognised as finance costs for loans and as other expenses for receivables in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

(ii) Available-for-sale equity investment

Available-for-sale equity investment is an unlisted equity investment which is neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, the available-for-sale equity investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss as other gains or losses.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used on estimating fair value, the investments is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial asset in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial asset due to inactive markets, the Group may elect to reclassify this financial asset if management has the ability and intention to hold the assets for the foreseeable future.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment (Continued)

(i) Financial assets carried at amortised cost (Continued)

The amount of the any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss as other expenses.

(ii) Available-for-sale equity investment

For available-for-sale equity investment, the Group assesses at the end of each reporting period whether there is objective evidence that the investment is impaired.

If the available-for-sale equity investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, interest-bearing bank and other borrowings and redeemable equity instrument.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in profit or loss.

(ii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds (Continued)

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When the convertible bonds are redeemed, the carrying amount of equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale of the properties

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis includes all cost of purchase, cost of conversion and other costs incurred in bring the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated and company statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental income, on a time proportion basis over the lease terms;

(b) management and service income, when the related services have been provided; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits (Pension schemes)

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

The Group also provided supplementary pension subsidies to retired employees. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to employees. The benefits are unfunded. The liability recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income as they occur.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in profit or loss in the period in which they are incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's presentation currency, where the functional currency of the Company is Renminbi ("RMB"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or statement of profit or loss is also recognised in other comprehensive income or statement of profit or loss, respectively).

The functional currencies of the Company, certain subsidiaries, joint ventures and associates established in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, certain subsidiaries established in Mainland China are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) annual rental income supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition.

Further details of the fair value estimation of investment properties, including the key assumptions used for fair value measurement and sensitivity analysis, are set out in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Control over the hotel operation

The hotel operated by the Group is managed by a hotel manager. The hotel manager manages the day to day operation of the hotel and will charge a management fee and a marketing fee to the Group with reference to certain percentage of the total gross revenue of the hotel. In addition, the hotel manager will charge an incentive management fee based on a certain percentage of the hotel's net operating profit.

The directors of the Company assessed whether or not the hotel manager is a principal or agent to the Group. In making their judgement, the directors considered the mode of operation of the hotel manager. After assessment, the directors considered that the hotel manager's scope of decision-making authority is limited and the Group has the power to direct the relevant activities of the hotel operations such as the right to appoint the general manager of the hotel, review and approve the yearly financial budget and decide the hotel's operation plan. In addition, the Group has the right to remove the hotel manager in the situation when the hotel's performance cannot meet certain operating criteria as stated in the management agreement signed with the hotel manager. Accordingly, the directors considered that the Group holds substantive removal rights of the hotel manager and the hotel manager is compensated as stated above for managing the daily operation of the hotel. The directors considered that the remuneration paid to the hotel manager commensurate with the services provided and on an arm's length basis. Therefore, the directors considered that the hotel manager is an agent of the Group and the Group has control over the hotel operation.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the respective business segment cash-generating units to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties; and long-term rental rates (considering current and historical rents, price trends and related factors), discount rates, operating costs, future capital requirements and operating performance (which includes occupancy rate) for investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections and impact the recoverable amount of the cash-generating unit, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2014 was HK$212,650,000 (2013: HK$149,881,000), details of which are set out in note 17 to the financial statements.

Classification of entities as joint ventures in which the Group holds more than a majority of voting rights

During the year ended 31 December 2013, the Group considers that it had no control over 北京北建通成國際物流有限公司 ("BIPL") and 廣州光明房產建設有限公司 ("Guangzhou Guangming") even though it owns more than 50% of the voting rights of these entities. This was because unanimous approval from all directors of these entities was required for any resolution to pass at their respective directors' meetings. Accordingly, the Group determined that it did not have control, but only joint control over BIPL and Guangzhou Guangming and had classified these entities as its joint ventures and accounted for the investments in them using the equity method in accordance with HKFRS 11 *Joint Arrangements*.

On 31 July 2014, the memorandum and articles of association of Guangzhou Guangming was restated (the "Restated M&A") and pursuant to which, the Group has control over Guangzhou Guangming and hence the Group reclassified the investment in Guangzhou Guangming from a joint venture to a subsidiary during the year, details of which are set out in note 40(a)(ii) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of the collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2014 were HK$13,085,000 (2013: HK$16,118,000) and HK$118,038,000 (2013: HK$48,354,000), respectively, details of which are set out in notes 25 and 26 to the financial statements.

Provision for compensation and litigations

As further disclosed in note 35 to the financial statements, Guangzhou Guangming, a subsidiary of the Group, involved in certain legal proceedings, arising from its failure to fulfill the compensation obligation liable to certain indigenous properties owners and tenants in accordance with the resettlement schedule agreed in prior years. Management determines the provision for compensation and litigations based on their best estimated, after considering all the available information. If the final outcome of the claims and negotiations is different from the estimation made by management, such difference will impact the provision for compensation and litigations in the year in which the liabilities of the compensation and litigations are concluded.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2014 was HK$8,226,000 (2013: HK$3,418,000).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets as at 31 December 2014 (2013: Nil).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on usages of properties held and has two reportable operating segments as follows:

(a) the properties business segment engages in the development and leasing of commercial properties in Mainland China and provision of related management services, and operates a hotel in Beijing, the PRC; and

(b) the logistics business segment engages in the provision of logistics services, including leasing of warehouse facilities and provision of related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, foreign exchange differences, finance costs, as well as head office and corporate income/expenses are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets exclude amounts due from a joint venture and related parties, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to joint ventures and related parties, bank and other borrowings, redeemable equity instrument, convertible bonds, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Properties business		Logistics business		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue:						
Sales to external customers	**67,420**	–	**135,563**	35,848	**202,983**	35,848
Fair value gain on investment properties, net	**–**	–	**314,951**	193,801	**314,951**	193,801
	67,420	–	**450,514**	229,649	**517,934**	229,649
Reconciliation:						
Gains on debt restructurings					**90,585**	60,575
Gain on deregistration of a subsidiary					**–**	5,187
Gains on bargain purchases of subsidiaries					**58,876**	456,741
Gain on disposal of an associate					**–**	3,692
Bank interest income					**8,255**	24,928
Interest income from a joint venture					**18,751**	19,851
Foreign exchange gains					**–**	20,939
Other unallocated gains					**1,818**	1,979
Revenue, other income and gains, net					**696,219**	823,541
Segment results:						
The Group	**13,655**	(273)	**385,352**	321,057	**399,007**	320,784
Share of profits/(losses) of:						
Joint ventures	**(20,421)**	–	**(19)**	(16,961)	**(20,440)**	(16,961)
Associates	**(1,928)**	(1,094)	**4,701**	8	**2,773**	(1,086)
	(8,694)	(1,367)	**390,034**	304,104	**381,340**	302,737
Reconciliation:						
Gains on debt restructurings					**90,585**	60,575
Gains on deregistration of a subsidiary					**–**	5,187
Gains on bargain purchases of subsidiaries					**58,876**	456,741
Gain on disposal of an associate					**–**	3,692
Bank interest income					**8,255**	24,928
Interest income from a joint venture					**18,751**	19,851
Foreign exchange gains/(losses)					**(20,096)**	20,939
Other unallocated gains					**1,818**	1,979
Corporate and other unallocated expenses					**(117,402)**	(82,741)
Finance costs					**(123,918)**	(37,857)
Profit before tax					**298,209**	776,031

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4. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment assets	2,712,734	578,699	5,022,266	3,890,830	7,735,000	4,469,529
Reconciliation:						
Corporate and other unallocated assets					1,820,333	978,698
Total assets					9,555,333	5,448,227
Segment liabilities	721,924	9,263	91,615	64,499	813,539	73,762
Reconciliation:						
Corporate and other unallocated liabilities					4,429,826	1,877,033
Total liabilities					5,243,365	1,950,795
Other segment information:						
Depreciation on:						
Segment assets	13,511	–	1,358	1,489	14,869	1,489
Corporate and other unallocated assets					851	783
					15,720	2,272
Amortisation on segment assets	–	–	6,753	6,766	6,753	6,766
Investments in joint ventures	–	480,899	451,072	462,288	451,072	943,187
Investments in associates	–	50,578	478,365	–	478,365	50,578
Provision/(reversal of provision) for litigations, net	2,238	–	–	(139,333)	2,238	(139,333)
Other non-cash expenses	–	–	–	–	31,646	25,437
Capital expenditure* on:						
Segment assets	2,485,261	–	453,630	2,575,183	2,938,891	2,575,183
Corporate and other unallocated assets					428	777
					2,939,319	2,575,960

* Capital expenditure consists of additions of property, plant and equipment, investment properties and prepaid land lease payments, including assets from the acquisition of subsidiaries during the year.

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year ended 31 December 2014, the Group did not have external customer (2013: one external customer of the logistics business segment) which contributed over 10% of the Group's total revenue for the year. The revenue earned from the major external customer in the prior year amounted to HK$5,654,000.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (1) the gross rental income received and receivable from investment properties, net of business tax and government surcharges; (2) the service fee from a hotel operation, net of valued-added tax, business tax and government surcharges; and (3) the management fee from the services rendered, net of valued-added tax, business tax and government surcharges.

An analysis of the Group's revenue, other income and gains, net is as follows:

	2014 HK$'000	2013 HK$'000
Revenue		
Gross rental income	**156,481**	35,719
Services fees earned from a hotel operation	**43,925**	–
Management fee	**2,577**	129
	202,983	35,848
Other income		
Bank interest income	**8,255**	24,928
Interest income from a joint venture (note 45(a)(ii))	**18,751**	19,851
Others	**1,818**	1,979
	28,824	46,758
Gains, net		
Gain on deregistration of a subsidiary*	**–**	5,187
Gain on disposal of an associate	**–**	3,692
Foreign exchange differences, net	**–**	20,939
	–	29,818
Other income and gains, net	**28,824**	76,576

* The gain on deregistration of a subsidiary of HK$5,187,000 recognised during the year ended 31 December 2013 arose from the deregistration of the Group's subsidiary, 沈陽富日置業有限公司 ("Shenyang Rich Day") in 2013.

Further details of the deregistration transaction are set out in note 41 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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6. GAINS ON DEBT RESTRUCTURINGS

The gains on debt restructurings recognised by the Group during the year arose from the default in repayment of a total sum of HK$44,880,000 owed to the Group by a previous shareholder of a subsidiary of the Company (the "Debtor"), who surrendered a 57.34% equity interest of Charmfull Investment Limited ("Charmfull") and a shareholder's loan of HK$5,077,000 advanced by the Debtor to Charmfull in accordance with a deed of assignment dated 19 December 2014 entered into between the Group and the Debtor. The major asset of Charmfull is a 25% equity interest in 北京金都假日飯店有限公司 ("Holiday Inn BJ"), which operates a hotel in Beijing and is owned as to 75% by the Group immediately before the debt restructuring. The difference of HK$85,508,000 between (i) the total fair value of 57.34% equity interest of Charmfull (determined primarily based on the fair value of Holiday Inn BJ) and the assigned shareholder's loan of HK$5,077,000 and (ii) the loan receivable owed by the Debtor is recognised in profit or loss during the year.

The gains on debt restructurings recognised by the Group in the prior year comprised (i) a gain of HK$17,455,000, arising from a debt restructuring arrangement with the lender of certain secured other loans of the Group with an aggregate principal amount of RMB10,250,000 (equivalent to HK$13,127,000), pursuant to which the lender agreed to a total settlement sum of RMB14,000,000 (equivalent to HK$17,930,000) made by the Group to release the Group from all the obligations under the relevant agreements of the other loans, further details of the secured other loans are set out in note 30(b) to the financial statements; and (ii) a gain of HK$43,120,000, arising from a debt restructuring arrangement between the Group and a previous shareholder of Oriental Union Investment Limited ("Oriental Union"), pursuant to which, among other things, the previous shareholder of Oriental Union released Oriental Union from all the obligations under a loan of HK$43,120,000 advanced by it to Oriental Union in previous years.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2014 **HK$'000**	2013 HK$'000
Interests on bank loans and other loans wholly repayable within five years	**70,422**	12,420
Interests on convertible bonds	**21,850**	–
Imputed interest on convertible bonds (note 33)	**31,607**	20,838
Loss on early redemption of convertible bonds	**39**	4,599
	123,918	37,857

NOTES TO FINANCIAL STATEMENTS

31 December 2014

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014 HK$'000	2013 HK$'000
Direct cost of rental income	**11,946**	2,981
Cost of hotel operation	**24,019**	–
Cost of services provided	**380**	928
Depreciation*	**15,720**	2,272
Amortisation of prepaid land lease payments	**6,753**	6,766
Minimum lease payments under operating leases in respect of land and buildings	**7,559**	3,632
Auditors' remuneration	**3,800**	2,433
Loss on disposal of items of property, plant and equipment	**132**	–
Write-off of items of property, plant and equipment	**–**	2,803
Employee benefit expense (including directors' remuneration – note 9):*		
Salaries, allowances and benefits in kind	**50,192**	26,863
Equity-settled share option expense**	**55,155**	29,863
Pension scheme contributions	**10,840**	5,275
Defined benefit plans (note 35(a))	**1,045**	–
	117,232	62,001
Equity-settled share option expenses for consultancy service***	**11,693**	6,958
Foreign exchange differences, net	**20,096**	(20,939)

* Depreciation and employee benefit expenses of HK$8,575,000 (2013: Nil) and HK$10,252,000 (2013: Nil), respectively, are included in "Cost of sales and services" on the face of the consolidated statement of profit or loss.

** This item is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

*** This item is included in "Other expenses" on the face of the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

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9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Fees		**1,933**	2,172
Other emoluments:			
Salaries, allowances and benefits in kind		**1,521**	2,098
Performance-related bonus	(a)	**1,225**	358
Equity-settled share option expense	(b)	**28,670**	20,666
		31,416	23,122
		33,349	25,294

NOTES TO FINANCIAL STATEMENTS

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9. DIRECTORS' REMUNERATION (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonus HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Year ended 31 December 2014					
Executive directors:					
Mr. Yu Li	180	4	–	5,008	5,192
Mr. Qian Xu	180	1,515	569	5,008	7,272
Mr. Siu Kin Wai	144	–	656	2,990	3,790
Mr. Jiang Xinhao	144	–	–	2,285	2,429
Mr. Ang Renyi	132	–	–	2,019	2,151
Mr. Liu Xueheng	132	–	–	2,019	2,151
Mr. Yu Luning	132	–	–	2,019	2,151
Mr. Zhou Si (resigned on 21 January 2014)	15	–	–	–	15
Mr. Xu Taiyan (resigned on 10 July 2014)	84	1	–	1,752	1,837
Ms. Meng Fang (resigned on 30 September 2014)	108	1	–	2,285	2,394
	1,251	1,521	1,225	25,385	29,382
Independent non-executive directors:					
Mr. Goh Gen Cheung	132	–	–	657	789
Mr. James Chan	132	–	–	657	789
Mr. Zhu Wuxiang	132	–	–	657	789
Mr. Chan Yuk Cheung (appointed on 3 December 2014)	11	–	–	–	11
Mr. Song Lishui (appointed on 3 December 2014)	11	–	–	–	11
Mr. Ma Chiu Cheung Andrew (resigned on 3 December 2014)	132	–	–	657	789
Mr. Ng Tang Fai, Ernesto (resigned on 3 December 2014)	132	–	–	657	789
	682	–	–	3,285	3,967
Total	1,933	1,521	1,225	28,670	33,349

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9. DIRECTORS' REMUNERATION (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonus HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Year ended 31 December 2013					
Executive directors:					
Mr. Zhou Si	180	–	–	3,139	3,319
Mr. Qian Xu	180	2,098	–	2,616	4,894
Mr. Yu Li	180	–	–	2,878	3,058
Mr. Xu Taiyan	144	–	–	1,570	1,714
Mr. Jiang Xinhao	144	–	–	1,570	1,714
Ms. Meng Fang	144	–	–	1,570	1,714
Mr. Siu Kin Wai	144	–	358	1,570	2,072
Mr. Yu Luning	132	–	–	1,046	1,178
Mr. Liu Xueheng	132	–	–	1,046	1,178
Mr. Ang Renyi	132	–	–	1,046	1,178
	1,512	2,098	358	18,051	22,019
Independent non-executive directors:					
Mr. Ng Tang Fai, Ernesto	132	–	–	523	655
Mr. Goh Gen Cheung	132	–	–	523	655
Mr. Ma Chiu Cheung Andrew	132	–	–	523	655
Mr. James Chan	132	–	–	523	655
Mr. Zhu Wuxiang	132	–	–	523	655
	660	–	–	2,615	3,275
Total	2,172	2,098	358	20,666	25,294

Notes:

(a) Certain executive directors of the Company are entitled to bonus payments which are determined by reference to the performance of the Group and individual's performance.

(b) Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company during the years ended 31 December 2014 and 2013, details of which are set out in note 38 to the financial statements. The fair values of these options were determined and recognised in profit or loss at the respective dates of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' remuneration disclosures.

(c) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2014 included four (2013: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2013: three) non-director, highest paid employee for the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,027**	3,640
Equity-settled share option expense	**1,327**	1,423
Pension scheme contributions	**149**	321
	2,503	5,384

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**1**	–
	1	3

During the current and prior years, share options were granted to the non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the financial statements. The fair values of these options were determined and recognised in profit or loss as at the respective dates of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director, highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

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11. INCOME TAX

An analysis of the Group's income tax from continuing operations is as follows:

	2014 HK$'000	2013 HK$'000
Current – Mainland China		
Charge for the year	**19,427**	3,153
Underprovision in prior years	**1,116**	–
Deferred (note 36)	**86,656**	50,075
Total tax expense for the year	**107,199**	53,228

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense/credit applicable to profit/loss before tax at the statutory rates for the jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

Year ended 31 December 2014

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(22,355)		320,564		298,209	
Tax expense/(credit) at the statutory tax rate	(3,679)	16.5	80,150	25.0	76,471	25.6
Losses/(profits) attributable to joint ventures and associates	(291)	1.3	5,105	1.6	4,814	1.6
Effect of withholding tax on interest income from an intercompany loan	7,752	(34.7)	–	–	7,752	2.6
Income not subject to tax	(33,182)	148.4	(925)	(0.3)	(34,107)	(11.4)
Expenses not deductible for tax	37,152	(166.2)	2,198	0.7	39,350	13.2
Adjustment in respect of current tax of previous periods	–	–	1,116	0.3	1,116	0.4
Tax losses not recognised as deferred tax assets	–	–	11,803	3.7	11,803	4.0
Tax expense at the Group's effective tax rate	7,752	(34.7)	99,447	31.0	107,199	35.9

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11. INCOME TAX (Continued)

Group (Continued)

Year ended 31 December 2013

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	252,724		523,307		776,031	
Tax expense at the statutory tax rate	41,699	16.5	130,827	25.0	172,526	22.2
Losses attributable to a joint venture and associates	2,574	1.0	405	0.1	2,979	0.4
Effect of withholding tax on interest income from an intercompany loan	1,434	0.6	–	–	1,434	0.2
Income not subject to tax	(74,801)	(29.7)	(78,451)	(15.0)	(153,252)	(19.7)
Expenses not deductible for tax	30,528	12.2	1,484	0.3	32,012	4.1
Tax losses utilised from previous periods	–	–	(3,238)	(0.6)	(3,238)	(0.4)
Tax losses not recognised as deferred tax assets	–	–	767	0.1	767	0.1
Tax expense at the Group's effective tax rate	1,434	0.6	51,794	9.9	53,228	6.9

The share of tax credit attributable to an associate and joint ventures amounting to HK$2,501,000 and HK$1,930,000 (2013: Nil and HK$5,676,000), respectively, are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2014 includes a loss of HK$101,255,000 (2013: HK$57,325,000), which has been dealt with in the financial statements of the Company (note 39(b)).

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 6,615,956,321 (2013: 6,243,121,654) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2014 is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares, adjusted to reflect the effect of the exercise of all dilutive share options at the beginning of the year or at the date of grant, whichever is the later. No adjustment has been made on the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during the year has an anti-dilutive effect on the basic earnings per share amount presented.

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13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

The calculation of the diluted earnings per share amount for the year ended 31 December 2013 is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds at the beginning of that year, and the weighted average number of ordinary shares after adjustment for the effect of deemed conversion and exercise of all dilutive convertible bonds and share options at the beginning of that year or at the date of grant, whichever is the later.

The calculation of the diluted earnings per share amounts is based on the following data:

	2014 **HK$'000**	2013 HK$'000
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	**166,876**	700,962
Imputed interest on dilutive convertible bonds (note 7)	**–**	20,838
Loss on early redemption of convertible bonds (note 7)	**–**	4,599
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	**166,876**	726,399

	2014	2013
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**6,615,956,321**	6,243,121,654
Effect of dilution on weighted average number of ordinary shares		
– Dilutive share options	**243,307,113**	120,137,902
– Dilutive convertible bonds	**–**	1,403,420,018
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**6,859,263,434**	7,766,679,574

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel property HK$'000 (note (a))	Buildings HK$'000 (notes (a) and (b))	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2014							
At 1 January 2014:							
Cost	–	9,902	6,770	4,180	4,427	5,849	31,128
Accumulated depreciation	–	(888)	(5,631)	(2,216)	(1,468)	–	(10,203)
Net carrying amount	–	9,014	1,139	1,964	2,959	5,849	20,925
Net carrying amount:							
At 1 January 2014	–	9,014	1,139	1,964	2,959	5,849	20,925
Acquisition of subsidiaries (note 40)	700,389	108,692	182	64,739	5,739	2,561	882,302
Additions	–	35	565	193	524	2,542	3,859
Transfers	–	–	–	2,605	–	(2,605)	–
Depreciation provided during the year	(7,316)	(1,841)	(662)	(4,242)	(1,659)	–	(15,720)
Disposals	–	–	–	(49)	(91)	–	(140)
Exchange realignment	(3,336)	(202)	(22)	(11)	(75)	(399)	(4,045)
At 31 December 2014	689,737	115,698	1,202	65,199	7,397	7,948	887,181
At 31 December 2014:							
Cost	696,997	118,365	3,442	70,555	9,545	7,948	906,852
Accumulated depreciation	(7,260)	(2,667)	(2,240)	(5,356)	(2,148)	–	(19,671)
Net carrying amount	689,737	115,698	1,202	65,199	7,397	7,948	887,181

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings HK$'000 (notes (a) and (b))	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2013						
At 1 January 2013:						
Cost	9,188	6,184	3,908	2,088	2,578	23,946
Accumulated depreciation	(437)	(5,072)	(1,305)	(938)	–	(7,752)
Net carrying amount	8,751	1,112	2,603	1,150	2,578	16,194
Net carrying amount:						
At 1 January 2013	8,751	1,112	2,603	1,150	2,578	16,194
Acquisition of subsidiaries (note 40)	–	–	–	205	–	205
Additions	342	525	114	2,063	5,911	8,955
Depreciation provided during the year	(427)	(502)	(842)	(501)	–	(2,272)
Deregistration of a subsidiary	–	(20)	–	(28)	–	(48)
Write-off	–	–	–	–	(2,803)	(2,803)
Exchange realignment	348	24	89	70	163	694
At 31 December 2013	9,014	1,139	1,964	2,959	5,849	20,925
At 31 December 2013:						
Cost	9,902	6,770	4,180	4,427	5,849	31,128
Accumulated depreciation	(888)	(5,631)	(2,216)	(1,468)	–	(10,203)
Net carrying amount	9,014	1,139	1,964	2,959	5,849	20,925

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Year ended 31 December 2014			
At 1 January 2014:			
Cost	289	56	345
Accumulated depreciation	(289)	(7)	(296)
Net carrying amount	–	49	49
Net carrying amount:			
At 1 January 2014	–	49	49
Additions	–	54	54
Depreciation provided during the year	–	(32)	(32)
At 31 December 2014	–	71	71
At 31 December 2014:			
Cost	–	110	110
Accumulated depreciation	–	(39)	(39)
Net carrying amount	–	71	71

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Year ended 31 December 2013			
At 1 January 2013:			
Cost	289	138	427
Accumulated depreciation	(289)	(138)	(427)
Net carrying amount	–	–	–
Net carrying amount:			
At 1 January 2013	–	–	–
Additions	–	56	56
Depreciation provided during the year	–	(7)	(7)
At 31 December 2013	–	49	49
At 31 December 2013:			
Cost	289	56	345
Accumulated depreciation	(289)	(7)	(296)
Net carrying amount	–	49	49

Notes:

(a) The Group's buildings and hotel property are situated in Mainland China and are held under medium term leases and short term lease, respectively.

(b) At 31 December 2014, certain buildings of the Group with an aggregate net carrying amount of HK$63,248,000 (2013: HK$1,576,000) were pledged to secure certain bank loans (2013: other loans) granted to the Group (note 31(a)(i))

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES

Group

	Completed HK$'000	Under construction HK$'000	Total HK$'000
Carrying amount at 1 January 2013	170,248	–	170,248
Acquisition of subsidiaries (note 40)	2,402,602	117,825	2,520,427
Additions	1,970	22,499	24,469
Net gain on fair value adjustments	196,243	(2,442)	193,801
Exchange realignment	9,811	305	10,116
Carrying amount at 31 December 2013 and 1 January 2014	2,780,874	138,187	2,919,061
Acquisition of subsidiaries (note 40)	1,602,965	80,229	1,683,194
Additions	1,880	367,784	369,664
Capitalised amortisation of prepaid land lease payments (note 16)	–	300	300
Net gain on fair value adjustments	281,823	33,128	314,951
Exchange realignment	(70,808)	(6,445)	(77,253)
Carrying amount at 31 December 2014	4,596,734	613,183	5,209,917

Notes:

(a) At 31 December 2014, the Group's investment properties consisted of four (2013: three) completed properties and three (2013: two) properties under construction. They are all situated in Mainland China and held under medium term leases.

(b) The Group's investment properties were revalued on 31 December 2014 based on valuations performed by Asset Appraisal Limited and Greater China Appraisal Limited. independent professionally qualified valuers, at HK$5,209,917,000 (2013: HK$2,919,061,000). Each year, the Group's senior management decides which external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

Fair value hierarchy disclosure

At 31 December 2014, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

15. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

Valuation techniques	Significant unobservable inputs		Input/range of input 2014	2013
Completed investment properties				
Direct comparison method and income capitalisation method	(i)	Capitalisation rate (%)	**7%**	7%
	(ii)	Annual rental income	**RMB109,276,158 per annum**	RMB61,197,642 per annum
	(iii)	Price per square metre (s.q.m)	**RMB9,075 per s.q.m**	RMB8,774 per s.q.m
Direct comparison method	(i)	Price per square metre	**RMB1,500-RMB8,600 per s.q.m**	RMB1,500-RMB8,070 per s.q.m
Direct comparison method and depreciated replacement cost method	(i)	Replacement cost per square metre	**N/A**	RMB1,331 per s.q.m
	(ii)	Physical depreciation rate	**N/A**	33%-74%
	(iii)	Price per square metre	**N/A**	RMB1,850-RMB2,000 per s.q.m
Investment properties under construction				
Direct comparison method	(i)	Price per square metre	**RMB250-RMB5,220 per s.q.m**	RMB279-RMB3,489 per s.q.m

Under the direct comparison method, comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The income capitalisation approach was used to cross-check the valuation results from the direct comparison method as some of the properties is held for earning rental income. The income capitalisation approach is applied based on net rental income that can be generated from the properties under the master lease to be executed for the properties with the allowance on the reversionary interest upon expiry of the master lease.

The aforementioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

The assessment of the depreciated replacement cost requires an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, and so on.

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15. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

An increase/(decrease) in the capitalisation rate in isolation would result in a decrease/(increase) in the fair value of the investment properties, while an increase/(decrease) in the annual rental income, price per square meter, replacement cost per square meter and physical depreciation rate in isolation would each result in an increase/(decrease) in the fair value of the investment properties.

(c) The completed investment properties are leased to third parties and related parties under operating leases, further summary details of which are included in note 43(a) to the financial statements.

(d) At 31 December 2014, certain investment properties of the Group with an aggregate carrying amount of HK$4,334,743,000 (2013: 2,382,102,000) were pledged to secure certain bank loans granted to the Group (note 31(a)(ii)).

In addition, as at 31 December 2013, certain investment properties of the Group with an aggregate carrying amount of HK$96,254,000 were pledged to secure certain other loans granted to the Group (note 31(b)).

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**270,788**	245,622
Additions	**–**	21,904
Amortisation provided during the year:		
Charged to profit or loss	**(6,753)**	(6,766)
Capitalised to investment properties under construction (note 15)	**(300)**	–
Exchange realignment	**(6,626)**	10,028
Carrying amount at 31 December	**257,109**	270,788
Current portion included in prepayments, deposits and other receivables (note 26)	**(6,997)**	(7,174)
Non-current portion	**250,112**	263,614

Notes:

(a) All leasehold land of the Group are situated in Mainland China and held under medium term leases.

(b) At 31 December 2013, certain land use rights to which the prepaid land lease payments of the Group relate with an aggregate carrying amount of HK$45,455,000 were pledged to secure certain other loans granted to the Group (note 31(b)). The pledge was released in current year.

(c) At 31 December 2014, certain of the Group's prepaid land lease payments with a carrying amount of HK$21,338,000 (2013: 22,209,000) were sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

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17. GOODWILL

	2014 Properties business HK$'000	2014 Logistics business HK$'000	2014 Total HK$'000	2013 Logistics business HK$'000
Cost and net carrying amount at 1 January	–	149,881	149,881	149,881
Acquisition of subsidiaries (note 40)	44,031	18,738	62,769	–
Cost and net carrying amount at 31 December	44,031	168,619	212,650	149,881

Impairment testing of goodwill

At 31 December 2014, goodwill acquired through business combinations is allocated to the following operating segments for impairment testing:

- Properties business
- Logistics business

(i) Properties business

The recoverable amount of the properties business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, properties held for sale, buildings and hotel property held and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end or close to year end using direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the properties business segment as at 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

(ii) Logistics business

The recoverable amount of the logistics business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to:

- in respect of a business unit which shall be sold by the Group, the transaction price as stipulated in the sale and purchase agreement (Level 1 fair value hierarchy as defined in HKFRS 13); and

- in respect of business units with investment properties or investment properties under construction, the valuation of the investment properties and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end using direct comparison method, depreciated replacement cost method or discounted cash flow method, where appropriate, which have used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13). For the investment property under construction which was valued using discounted cash flow method, management used a discount rate of 12.4% and has projected cash flows for a period of 20 years based on a lease agreement signed with a tenant and no cash flows beyond the lease period was projected by the management for the purpose of the valuation.

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the logistics business segment as at 31 December 2014.

Key assumption used in assessing the fair value less costs of disposal

The following describes each key assumption adopted by management for the purposed of impairment testing of goodwill:

- *Fair value change*

  there is no major material adverse change in the fair value of the property held by the cash-generating unit from the date of valuation.

- *Realisation of assets and liabilities*

  the identifiable assets and liabilities, excluding deferred tax liabilities recognised arising from the acquisition, can be realised at their book values.

- *Business environment*

  There have been no major changes in the existing political, legal and economic conditions in Mainland China.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the operating segment's carrying amount to exceed its recoverable amount.

NOTES TO FINANCIAL STATEMENTS

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18. INTERESTS IN SUBSIDIARIES

	Notes	Company 2014 HK$'000	Company 2013 HK$'000
Investments in subsidiaries, included in non-current assets			
Unlisted shares, at cost	(a), (b)	**1,797,472**	140,972
Due from subsidiaries	(c)	**913,557**	1,866,462
		2,711,029	2,007,434
Due from subsidiaries, included in current assets	(c), (d)	**874,626**	663,532
Due to subsidiaries, included in current liabilities	(c)	**(299)**	(11,743)
Total interests in subsidiaries		**3,585,356**	2,659,223

Notes:

(a) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued/registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by Group	Principal activities
北京陸港國際物流有限公司 ("Lugang")	PRC/Mainland China	RMB199,095,322	–	82.24	Provision of logistics services
北京允中投資諮詢有限公司 (Beijing Yun Zhong Investment Consulting Co., Ltd)#^	PRC/Mainland China	US$10,000,000	–	100	Office management
China Logistics Infrastructures (Holdings) Limited	British Virgin Islands/ Hong Kong	US$1.00	100	100	Investment holding
衢州通成農業發展有限公司 (formerly known as 衢州通成國際物流有限公司) ("Quzhou Tongcheng")^#	PRC/Mainland China	RMB249,800,000	–	100	Logistics facilities development
天津萬士隆國際物流有限公司#	PRC/Mainland China	US$6,660,000	–	70	Provision of logistics services
天域萬隆物流(天津)有限公司^#	PRC/Mainland China	US$6,500,000	–	70	Logistics facilities development

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18. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(a) (Continued)

Company name	Place of incorporation/ registration and operations	Issued/registered capital	Percentage of attributable equity interest held by Company	Group	Principal activities
上海凡宜和倉儲有限公司 ("Phoenix Shanghai") (note (b))^	PRC/Mainland China	US$98,500,000	–	100	Provision of logistics services
北京金都假日飯店有限公司 (note (b))@	PRC/Mainland China	US$11,520,000	–	100	Hotel operation
Oriental Union Investments Limited ("Oriental Union") (note (b))#@	Hong Kong	HK$10,000	99.9	99.9	Investment holding
廣州光明房產建設有限公司 ("Guangzhou Guangming") (note (b))#@	PRC/Mainland China	US$28,080,000	–	98.9	Shopping mall holding and leasing
天津中漁置業有限公司#@	PRC/Mainland China	RMB112,500,000	–	60	Logistics facilities development
北京北建昱達投資諮詢有限公司^#*	PRC/Mainland China	RMB2,000,000	–	100	Office management

^ Registered as wholly-owned enterprises under PRC law.

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ Acquired during the year, further details are set out in note 40 to the financial statements.

* Newly established during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the opinion of the directors, there is no subsidiary having material non-controlling interest that requires disclosure under HKFRS 12.

(b) The equity interests of these subsidiaries and the immediate holding company of Phoenix Shanghai held by the Group were pledged to secure certain bank loans granted to the Group as at 31 December 2014 (note 31(a)(iii)).

(c) The amounts due from subsidiaries included in non-current assets above are, in the opinion of the directors, considered as part of the Company's investments in the subsidiaries.

The amounts due from/to subsidiaries included in current assets/liabilities are unsecured, interest-free and have no fixed terms of repayment.

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19. INTERESTS IN JOINT VENTURES

	Notes	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Investments in joint ventures, included in non-current assets:					
Share of net assets		**442,477**	934,592	**–**	–
Goodwill on acquisition		**8,595**	8,595	**–**	–
	(a)	**451,072**	943,187	**–**	–
Due from joint ventures, included in current assets	(c)	**295,537**	311,932	**–**	15,050
Due to joint ventures, included in current liabilities	(c)	**(4,163)**	(48,291)	**–**	–
Total interests in joint ventures		**742,446**	1,206,828	**–**	15,050

Notes:

(a) (i) Particulars of the Group's joint venture, which is indirectly held by the Company, are as follows:

Company name	Place of registration and business	Nominal value of paid-up capital/ registered capital	Percentage of: Ownership interest attributable to the Group	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities
北京北建通成國際物流有限公司("BIPL")	PRC/Mainland China	RMB500,000,000	76	76	76	Logistics facilities development

In the opinion of the directors, notwithstanding that the Group has over 50% voting power in BIPL, the Group only has joint control over the joint venture because unanimous approval from all directors of BIPL is required for any resolution to pass at its directors' meeting.

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19. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(a) (ii) Material joint ventures disclosure

At 31 December 2014, BIPL (2013: BIPL and Guangzhou Guangming) is the sole joint venture of the Group and was accounted for using the equity method in the consolidated financial statements.

The following tables illustrate the summarised financial information of each of BIPL and Guangzhou Guangming, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	BIPL		Guangzhou Guangming*	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Summarised statement of financial position of the material joint ventures:				
Current assets	**840,440**	863,711	**N/A**	207,632
Non-current assets	**49,150**	41,295	**N/A**	1,823,627
Current liabilities	**(307,383)**	(308,040)	**N/A**	(1,229,935)
Non-current liabilities	**–**	–	**N/A**	(200,202)
Net assets	**582,207**	596,966	**N/A**	601,122
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	**395,997**	428,488	**N/A**	15,296
Current financial liabilities (excluding trade and other payables and provisions)	**(273,553)**	(283,025)	**N/A**	(430,789)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**N/A**	–
Reconciliation to the Group's investments in the joint ventures:				
Proportion of the Group's ownership	**76%**	76%	**N/A**	80%
Group's share of net assets of the joint ventures, excluding goodwill	**442,477**	453,694	**N/A**	480,898
Goodwill on acquisition	**8,595**	8,595	**N/A**	–
Carrying amount of the investments	**451,072**	462,289	**N/A**	480,898
Summarised statement of profit or loss and other comprehensive income of the material joint ventures				
Revenue	**–**	–	**25,997**	
Interest income	**7,895**	3,689	**212**	
Interest expenses	**(19,863)**	(21,622)	**(6,885)**	
Depreciation and amortisation	**(147)**	(145)	**(6,208)**	
Other income and expenses, net	**12,202**	(11,707)	**(41,161)**	
Income tax credit/(expense)	**(113)**	7,468	**2,520**	
Loss for the year	**(26)**	(22,317)	**(25,525)**	
Other comprehensive income/(loss)	**14,461**	16,322	**(17,178)**	
Total comprehensive income/(loss) for the year	**14,435**	(5,995)	**(42,703)**	
Share of the joint ventures' losses for the year	**(20)**	(16,961)	**(20,420)**	

* Financial information with respect to the net assets of Guangzhou Guangming as at 31 December 2014 is not disclosed as the investment was reclassified from a joint venture to a subsidiary from 31 July 2014 onwards, as further detailed in note 40. Financial information with respect to the operating performance of Guangzhou Guangming for the year ended 31 December 2013 was not disclosed as it was acquired by the Group on 31 December 2013 and its operating performance information for the year ended 31 December 2014 disclosed above only comprised its operating performance from 1 January 2014 to 31 July 2014, in which period it was accounted for as a joint venture of the Group.

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19. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) At 31 December 2013, the Group's investment in Guangzhou Guangming with a then carrying amount of HK$480,898,000 was pledged to secure certain bank loans granted to the Group and Guangzhou Guangming (note 31(a)(iv)). Since Guangzhou Guangming was accounted for as a subsidiary as at 31 December 2014 as mentioned in note (a) above, no investment in a joint venture was pledged as at 31 December 2014.

(c) The Group's amount due from a joint venture as at 31 December 2014 included entrusted bank loans with an aggregate amount of RMB219,000,000 (equivalent to HK$273,533,000) (2013: RMB221,000,000, equivalent to HK$283,035,000 at the then exchange rate) provided by the Group to finance the business development of BIPL. The entrusted bank loans bear interest at the rate of 7.1% (2013: 7.1%) per annum and are fully repayable in 2015 (2013: repayable in 2014).

Except for the above, all other balances with joint ventures included in current assets/liabilities of the Group and the Company as at 31 December 2014 and 2013 were unsecured, interest-free and had no fixed terms of repayment.

20. INVESTMENTS IN ASSOCIATES

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Investments in associates, included in non-current assets:			
Share of net assets	(a)	**363,819**	29,626
Goodwill on acquisition	(b)	**114,546**	20,952
		478,365	50,578

Notes:

(a) Particulars of the principal associate, which was acquired during the year and is indirectly held by the Company, are as follows:

Company name	Place of registration and operations	Issued capital	Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activity
Genvon Group Limited ("Genvon")#	PRC/Mainland China	HK$906,179,683	20.86	20.86	20.86	Property development

Shares of Genvon are listed on the Main Board of the Stock Exchange. The market value of the shares of Genvon held by the Group as at 31 December 2014, based on its then published price quotation, amounted to approximately HK$576,450,000.

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results of the year or formed substantial portion of the assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Since 2013, the Group discontinued the recognition of its share of losses of 北京世聯國際商業網絡中心有限公司, an associate owned as to 30% by the Group, because the share of losses of this associate exceeded the Group's interest in this associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year was HK$177,000 (2013: HK$274,000) and cumulatively was HK$451,000 (2013: HK$274,000).

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20. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Material associates disclosure

During the year, 海口安基實業發展有限公司 ("Haikou Peace Base", disposed of during the year) and Genvon (acquired during the year (note (c)) (2013: Haikou Peace Base) were considered as material associates of the Group and were accounted for using equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the material associates, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Genvon*	Haikou Peace Base**	
	2014	**2014**	2013
	HK$'000	**HK$'000**	HK$'000
Summarised statement of financial position of the material associates			
Non-current assets	**89,553**	**N/A**	19,368
Current assets	**2,891,526**	**N/A**	54,854
Current liabilities	**(1,028,648)**	**N/A**	(156)
Net assets	**1,952,431**	**N/A**	74,066
Less: Non-controlling interests	**(209,171)**	**N/A**	–
Net assets attributable to shareholders of the associates	**1,743,260**	**N/A**	74,066
Reconciliation to the Group's interests in the associates			
Proportion of the Group's ownership	**20.86%**	**N/A**	40.00%
Group's share of net assets of the associates, excluding goodwill	**363,819**	**N/A**	29,626
Goodwill on acquisition (note (c))	**114,546**	**N/A**	20,952
Carrying amount of the investments	**478,365**	**N/A**	50,578
Summarised statement of profit or loss and other comprehensive income of the material associates			
Revenue	**100,452**	**–**	–
Loss for the year from continuing operations	**(37,711)**	**(4,819)**	(2,735)
Profit for the year from a discontinued operation	**67,053**	**–**	–
Profit/(loss) for the year	**29,342**	**(4,819)**	(2,735)
Other comprehensive income/(loss)	**7,255**	**(1,791)**	1,111
Total comprehensive income/(loss) for the year	**36,597**	**(6,610)**	(1,624)
Share of associates' profit/(loss) for the year	**4,701**	**(1,928)**	(1,094)

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20. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) (Continued)

During the year ended 31 December 2013, the Group's share of profit for the year and total comprehensive income for the year of an associate that is not individually material amounted to HK$8,000. At 31 December 2014, the Group's carrying amount of the investment in associates was solely attributable to Genvon.

* On 3 September 2014, the Group acquired a 20.86% equity interest in Genvon at a consideration of HK$472,500,000. On the date of completion of the transaction, the fair value of the 20.86% equity interest in Genvon was assessed as HK$357,954,000 and the Group recorded a goodwill of HK$114,546,000 which was capitalised as an asset and included in the Group's investments in associates. The operating performance information for the year ended 31 December 2014 of Genvon disclosed above is post-acquisition operating results.

** On 18 December 2014, the equity interest of Haikou Peace Base held by the Group was transferred to a company listed on the Australian Securities Exchange (the "Haikou Buyer") pursuant to a sale and purchase agreement dated 9 June 2014 signed between the Company and the Haikou Buyer. The consideration for the transaction is AUD24,900,000 (equivalent to approximately HK$180,450,000) which will be satisfied by the issue of 166,000,000 new ordinary shares of the Haikou Buyer to the Group.

At 31 December 2014 and up to the date of approval of these financial statements, the transaction has not yet been completed as the Haikou Buyer has not yet issued the consideration shares to the Group. In view of the fact that the equity interest of Haikou Peace Base had been transferred to the Haikou Buyer before 31 December 2014, in the opinion of the directors, all the risks and rewards of ownership in Haikou Peace Base has been passed to the Haikou Buyer and hence, the Group discontinued to account for Haikou Peace Base as an associate and reclassified the then carrying amount of the investment in Haikou Peace Base to an other receivable, with any gain on disposal to be recognised when the transaction is completed.

The operating performance information for the year ended 31 December 2014 of Haikou Peace Base disclosed above is its operating results from 1 January 2014 to the date of disposal.

(c) The movements in the provision for impairment of investments in associates are as follows:

	2014 **HK$'000**	2013 HK$'000
At 1 January	–	14,670
Disposal of an associate	–	(15,026)
Exchange realignment	–	356
At 31 December	–	–

21. AVAILABLE-FOR-SALE EQUITY INVESTMENT

The Group's available-for-sale equity investment as at 31 December 2014 and 2013 is an unlisted equity investment in the PRC.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

22. DEPOSITS PAID FOR ACQUISITIONS OF BUSINESSES AND ADDITIONAL INTEREST IN A JOINT VENTURE

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Deposit paid for acquisitions of businesses	(a)	**138,601**	153,691	**138,601**	–
Deposit paid for the acquisition of additional interest in a joint venture	(b)	**–**	47,221	**–**	–
		138,601	200,912	**138,601**	–

Notes:

(a) The deposit as at 31 December 2014 represented a deposit of RMB109,891,000 (equivalent to HK$138,601,000) paid for the acquisition of a 50% equity interest in 北京北糧國際經貿有限公司 ("BCOF") from an independent third party.

The deposit as at 31 December 2013 represented a tendering deposit of RMB120,000,000 (equivalent to HK$153,691,000) paid for the acquisition of a 75% equity interest in Holiday Inn BJ from an independent third party, The acquisition was completed during the year, as further detailed in note 40(a)(iii) to the financial statements.

(b) The deposit of HK$47,221,000 as at 31 December 2013 represented a deposit paid for the acquisition of an additional 19% equity interest in Guangzhou Guangming, a then joint venture of the Group. The acquisition was completed during the year, as further detailed in note 40(a)(ii) to the financial statements.

23. PROPERTIES HELD FOR SALE

Properties held for sale of the Group as at 31 December 2014 represented certain portion of the Group's shopping mall, which is located in Guangzhou, the PRC, and these areas are held by the Group for future disposal and were pledged to secure certain bank loans granted to the Group (note 31(a)(v)).

NOTES TO FINANCIAL STATEMENTS

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24. INVENTORIES

Inventories of the Group are raw materials, merchandised goods and consumable stocks held for use by the Group's hotel operation.

25. TRADE RECEIVABLES

Trade receivables of the Group as at 31 December 2014 included rental income receivable from tenants of the Group's investment properties and those arising from the Group's hotel operation (2013: rental income receivable from tenants of the Group's investment properties). Overdue rental income receivables were not impaired as they were fully collateralised by the security deposits paid by the relevant tenants.

(a) An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one month	**11,362**	4,751
One to three months	**1,723**	10,744
Four to six months	**–**	607
Over six months	**–**	16
	13,085	16,118

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**10,987**	8,445
Less than three months past due	**2,098**	7,173
Four to six months past due	**–**	500
	13,085	16,118

(b) At 31 December 2014, certain trade receivables amounting to HK$2,098,000 (2013: 15,885,000) were pledged to secure certain bank loans granted to the Group (note 31(a)).

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31 December 2014

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**9,092**	3,072	**796**	681
Prepaid land lease payments – current portion (note 16)	**6,997**	7,174	**–**	–
Deposits and other receivables	**93,056**	1,327	**92**	88
Consideration receivable for disposal of an associate (note)	**24,982**	47,027	**–**	–
	134,127	58,600	**888**	769
Portion classified as current assets	**(80,806)**	(32,986)	**(888)**	(769)
Non-current portion	**53,321**	25,614	**–**	–

Note: In 2013, the Group disposed of a 31.04% equity interest in Jingjingang, a then associate, to one of the other investors of Jingjingang for a consideration of RMB40,800,000 (equivalent to HK$51,469,000), of which RMB4,080,000 (equivalent to HK$5,147,000) was received in 2013; RMB16,720,000 (equivalent to HK$21,413,000) was received in 2014 and the remaining balance of RMB20,000,000 (equivalent to HK$24,982,000), which was classified as a current asset, will be settled in 2015.

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27. BALANCES WITH RELATED PARTIES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from related parties:				
– fellow subsidiaries	**332**	–	**–**	–
– other related parties	**691**	10	**–**	–
	1,023	10	**–**	–
Due to related parties:				
– the immediate holding company	**2,116**	41,841	**2,116**	41,841
– fellow subsidiaries	**205,227**	268,965	**–**	–
– non-controlling equity holders of a subsidiary	**42,092**	42,110	**–**	–
	249,435	352,916	**2,116**	41,841
Portion classified as current liabilities	**(11,340)**	(322,521)	**(2,116)**	(41,841)
Non-current portion	**238,095**	30,395	**–**	–

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment, except for a non-interest bearing loan of HK$205,227,000 (2013: HK$246,279,000) advanced from a fellow subsidiary which was originally due in October 2014 and subsequently extended to 2016 during the year.

28. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits		**1,155,134**	448,188	**12,567**	102,891
Time deposits		**86,622**	19,966	**–**	12,807
	(a)	**1,241,756**	468,154	**12,567**	115,698
Less: Restricted cash	(b)	**(927,154)**	(199,633)	**–**	–
Cash and cash equivalents		**314,602**	268,521	**12,567**	115,698

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28. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS (Continued)

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and twelve months (2013: between seven days and one month) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2014, the cash and bank balances of the Group and the Company denominated in RMB amounted to HK$976,956,000 (2013: HK$374,237,000) and HK$3,412,000 (2013: HK$77,149,000), respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) At 31 December 2014, the usage of the Group's bank balances amounting to HK$927,154,000 (2013: HK$199,633,000) were restricted to use in accordance with the bank loan agreements of certain bank loans granted to the Group (note 31(a)(v)) and a subscription agreement entered into with an independent third party for a capital injection into a subsidiary of the Group (note 32).

29. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within one month	**24,347**	102
One to two months	**623**	–
Two to three months	**454**	557
Over one year	**47,691**	–
	73,115	659

The trade payables aged over one year represented construction fee payable to certain construction contractors by a subsidiary acquired during the year. The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Interest payable of convertible bonds	**21,688**	–	**21,688**	–
Accruals	**25,333**	19,985	**2,089**	2,721
Receipts in advance and rental deposits received from tenants	**64,400**	39,380	**–**	–
Other payables	**145,275**	21,442	**884**	358
Defined benefit plans (note 35(b))	**425**	–	**–**	–
	257,121	80,807	**24,661**	3,079

Other payables are non-interest-bearing and have an average term of three months.

NOTES TO FINANCIAL STATEMENTS

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31. BANK AND OTHER BORROWINGS

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank loans:	(a)				
Secured		**2,222,146**	1,065,145	**–**	–
Unsecured		**75,000**	–	**75,000**	–
		2,297.146	1,065,145	**75,000**	–
Other loans:					
Secured	(b)	**–**	35,860	**–**	–
Unsecured		**7,256**	11,386	**–**	–
		7,256	47,246	**–**	–
Total bank and other borrowings		**2,304,402**	1,112,391	**75,000**	–
Analysed into:					
Bank loans repayable:					
Within one year or on demand		**837,729**	160,476	**30,000**	–
In the second year		**1,347,211**	12,059	**45,000**	–
In the third to fifth years, inclusive		**112,206**	892,610	**–**	–
		2,297,146	1,065,145	**75,000**	–
Other loans repayable:					
Within one year		**7,256**	47,246	**–**	–
Total bank and other borrowings		**2,304,402**	1,112,391	**75,000**	–
Portion classified as current liabilities		**(844,985)**	(207,722)	**(30,000)**	–
Non-current portion		**1,459,417**	904,669	**45,000**	–

31. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) Except for bank loans of HK$121,763,000 (2013: Nil) in total which bear interest at fixed rates of 6.8% to 7.86%, all other bank loans of the Group and the Company as at 31 December 2014 are floating rate loans with interests at specified periods' LIBOR or HIBOR plus a margin.

The secured bank loans of the Group are secured by:

(i) certain buildings with a then aggregate carrying amount of HK$63,248,000 (2013: HK$1,576,000) (note 14(b));

(ii) certain investment properties with a then aggregate carrying amount of HK$4,334,743,000 (2013: HK$2,382,102,000) (note 15(d));

(iii) certain equity interests of subsidiaries (note 18(b));

(iv) equity interest of a joint venture in respect of certain bank loans as at 31 December 2013 (note 19(b));

(v) properties held for sale with a carrying amount of HK$101,471,000 (2013: Nil); certain trade receivables with a then aggregate carrying amount of HK$2,098,000 (2013: HK$15,885,000) (note 25(b)); and certain bank balances of HK$288,866,000 (2013: HK$199,633,000) (note 28(b)).

In addition, the Group's bank loans are guaranteed by the Company (2013: the Company, where applicable, two subsidiaries).

(b) At 31 December 2013, the Group's secured other loans bore interest at the rate of 5.4% per annum and were secured by (i) certain buildings (note 14(b)); (ii) certain investment properties (note 15(d)); and (iii) certain land use rights (note 16(b)) of the Group. These other loans were fully settled during the year.

(c) At 31 December 2014, the bank and other borrowings were denominated in the following currencies:

	2014 **HK$'000**	2013 HK$'000
HK$	**1,210,554**	152,040
RMB	**129,018**	47,246
US$	**964,830**	913,105
	2,304,402	1,112,391

(d) The loan agreement of a bank loan of the Group with a carrying amount of HK$895,162,000 (2013: HK$913,105,000) as at 31 December 2014 includes a covenant imposing specific performance obligation on Beijing Enterprises Group, the ultimate shareholder of the Company, under which it would constitute an event of default in the loan facility if the Company is less than 40% directly or indirectly ultimately owned by Beijing Enterprise Group. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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32. REDEEMABLE EQUITY INSTRUMENT

On 11 July 2014, the Group entered into a subscription agreement with an independent third party ("MJQ"), pursuant to which MJQ conditionally agreed to subscribe for and China Logistics Infrastructures Holdings Limited ("China Logistics"), a wholly-owned subsidiary of the Company, conditionally agreed to issue 35 redeemable shares (the "Redeemable Shares") to MJQ at a total consideration of RMB888,000,000. If converted, the Redeemable Shares represent 35% of the enlarged share capital of China Logistics.

The Redeemable Shares were issued on 15 October 2014 and the first instalment of the subscription monies of RMB511,000,000 (equivalent to HK$638,287,000, at the then exchange rate) was received by the Group during the year ended 31 December 2014.

The redemption rights attached to the Redeemable Shares allow MJQ to request repayment of the subscription monies paid to the Group if BIPL, a joint venture of the Group, is unable to obtain a land use right of a parcel of land located in Beijing on or before 31 March 2015 (or such other date as agreed by the parties) (the "Redemption Deadline"). In connection with this, the subscription monies of RMB511,000,000 received by the Group, which is classified as a restricted cash as at 31 December 2014 (note 28(b)), was kept at China Logistics' bank account, which is jointly controlled by the Group and MJQ. Since the Redeemable Shares issued are redeemable at the option of MJQ within fifteen business days after 31 March 2015 (or such other date as agreed by the parties) and the Group has an unavoidable obligation to repay when MJQ exercises its option, for accounting purpose, the subscription monies received by the Group are classified as financial liabilities until the Redeemable Shares are converted into ordinary shares of China Logistics or the redemption period expires. As at the date of approval of these financial statements, BIPL has not yet obtained the land use right.

Should the Redeemable Shares be converted into ordinary shares of China Logistics, the subscription monies received by China Logistics will be reclassified to equity and a deemed disposal of China Logistics will be resulted.

33. CONVERTIBLE BONDS

The Company had three batches of convertible bonds outstanding during the years ended 31 December 2014 and 2013, the summary information of which is set out as follows:

	Placing Convertible Bonds* (note (a))	**Convertible Bonds*** (note (b))	**PAG Convertible Bonds*** (note (c))
Issuance date	3 December 2010	31 December 2010	12 February 2014
Maturity date	2 December 2015	30 December 2015	11 February 2019
Redemption option of the convertible bond holders	Any day after the first anniversary of the issuance date	Any day after the first anniversary of the issuance date	Any day after the third anniversary of the issuance date
Original principal amount	HK$499,850,000	HK$1,500,000	RMB490,510,000
Coupon rate	Zero	Zero	4%
Conversion price per ordinary share of the Company (HK$)	0.65	0.65	0.74

* As defined in the respective circulars of the Company in connection with issuance of the convertible bonds.

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31 December 2014

33. CONVERTIBLE BONDS (Continued)

Notes:

(a) The Placing Convertible Bonds were issued to certain independent third parties on 3 December 2010 by a placing agent pursuant to a placing agreement dated 25 June 2010 for the purpose of financing future investments in property and logistics business operations in the PRC and providing additional working capital to the Group.

(b) The Convertible Bonds were issued to Beijing Enterprises Group (BVI) Limited ("BEGBVI") on 31 December 2010, pursuant to a subscription agreement dated 25 June 2010 for the purpose of financing future investments in the property and logistics business operations and providing additional working capital to the Group. During the year ended 31 December 2013, BEGBVI transferred the Convertible Bonds to BEREHK, which is a wholly-owned subsidiary of Beijing Enterprises Group.

(c) The PAG Convertible Bonds were issued to PA Broad Opportunity VI Limited pursuant to a subscription agreement dated 24 January 2014 for the purpose of providing working capital and strengthening capital base and financial position of the Group.

Further details of the Placing Convertible Bonds and the Convertible Bonds are set out in the Company's circular dated 16 August 2010 and announcements dated 25 June 2010, 29 June 2010, 29 October 2010 and 3 December 2010, respectively. Details of the PAG Convertible Bonds are set out in the Company's announcements dated 26 January 2014 and 12 February 2014.

Each batch of these convertible bonds was bifurcated into a liability component and an equity component for accounting purposes, as further described in the accounting policy for "Convertible bonds" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, the liability and equity components of the Company's convertible bonds during the years ended 31 December 2014 and 2013:

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33. CONVERTIBLE BONDS (Continued)

Group and Company

	Notes	Placing Convertible Bonds HK$'000	Convertible Bonds HK$'000	PAG Convertible Bonds HK$'000	Total HK$'000
Principal amount outstanding					
At 1 January 2013		46,150	1,500,000	–	1,546,150
Conversion to ordinary shares	37(b)	–	(1,483,040)	–	(1,483,040)
Redemption		(44,200)	(16,960)	–	(61,160)
At 31 December 2013 and 1 January 2014		1,950	–	–	1,950
Issue of convertible bonds		–	–	628,196	628,196
Conversion to ordinary shares	37(b)	(1,300)	–	–	(1,300)
Redemption		(650)	–	–	(650)
At 31 December 2014		–	–	628,196	628,196
Liability component					
At 1 January 2013		41,957	1,395,598	–	1,437,555
Transfer to share capital and share premium account upon conversion to ordinary shares	37(b)	–	(1,400,000)	–	(1,400,000)
Redemption		(40,594)	(15,967)	–	(56,561)
Imputed interest expense	7	469	20,369	–	20,838
At 31 December 2013 and 1 January 2014		1,832	–	–	1,832
Issue of convertible bonds*		–	–	368,965	368,965
Transfer to share capital and share premium account upon conversion to ordinary shares	37(b)	(1,232)	–	–	(1,232)
Redemption		(611)	–	–	(611)
Imputed interest expense	7	11	–	31,596	31,607
Exchange realignment		–	–	(9,342)	(9,342)
At 31 December 2014		–	–	391,219	391,219
Equity component (included in the convertible bond equity reserve)					
At 1 January 2013		6,104	168,848	–	174,952
Transfer to share capital and share premium account upon conversion to ordinary shares	37(b)	–	(166,940)	–	(166,940)
Redemption		(5,846)	(1,908)	–	(7,754)
At 31 December 2013 and 1 January 2014		258	–	–	258
Issue of convertible bonds		–	–	247,321	247,321
Transfer to share capital and share premium account upon conversion to ordinary shares	37(b)	(172)	–	–	(172)
Redemption		(86)	–	–	(86)
At 31 December 2014		–	–	247,321	247,321

* The net liability component at the issuance date was HK$368,965,000, which was net of direct transaction costs of HK$4,768,000 and exchange difference of HK$7,142,000.

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34. PROVISION FOR COMPENSATION AND LITIGATIONS

	Group	
	2014	2013
	HK$'000	HK$'000
	(note (a))	(note (b))
At 1 January	**–**	207,090
Acquisition of a subsidiary (note 40)	**514,243**	–
Additional provision	**2,238**	15,766
Reversal of provision upon settlement of litigations	**–**	(155,099)
Settlement during the year	**(3,352)**	(72,789)
Exchange realignment	**(33)**	5,032
At 31 December	**513,096**	–

(a) Provision for compensation

On 31 July 2014, as further detailed in note 40 to the financial statements, the Group obtained control over and started consolidating Guangzhou Guangming.

At the date of obtaining control, included in Guangzhou Guangming's liabilities was provisions for resettlement compensations of approximately RMB411,658,000 (equivalent to approximately HK$514,243,000, at the then exchange rate) payable to certain indigenous properties owners and tenants (the "Concerned Residents") affected by the construction works of a residential and commercial complex (the "Metro Mall") undertaken by Guangzhou Guangming in prior years.

During the construction of the Metro Mall by Guangzhou Guangming in the 1990s, properties owned/rented by the Concerned Residents were demolished and it was agreed between the Concerned Residents and Guangzhou Guangming that new residential flats to be built by Guangzhou Guangming will be used as compensation to the Concerned Residents for the demolished properties. However, due to changes in the development plan, no residential flats can be built and Guangzhou Guangming was unable to resettle those Concerned Residents in the agreed manner. In prior years, some of the Concerned Residents had lodged litigations against Guangzhou Guangming for its breach of agreements and requested monetary compensations. Guangzhou Guangming lost some of those lawsuits and was required to pay compensation together with overdue penalties.

In arriving the best estimate of the amount of the provisions for the resettlement compensation, the management of the Group had made reference to the judgements of the lawsuits and had applied to all Concerned Residents.

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34. PROVISION FOR COMPENSATION AND LITIGATIONS (Continued)

(b) Provision for litigations

In May 2012, legal proceedings (the "Legal Proceedings") were brought by a bank in Mainland China (the "Bank") against a non-controlling equity holder of Lugang, an 82.24%-owned subsidiary of the Group, as the first defendant and Lugang as the second defendant, for the repayment obligations in respect of certain overdue bank loans owing to the Bank (the "Bank Loans"), by the non-controlling equity holder of Lugang. As at 1 January 2013, the provision for litigations in respect of the Legal Proceedings carried in the consolidated statement of financial position amounted to RMB168,151,000 (equivalent to HK$207,090,000).

On 6 December 2013, the Bank and Lugang, among others, entered into a settlement agreement in respect of the settlement of all the repayment obligations of Lugang under the Bank Loans. The principal terms of the settlement agreement are set out as follows:

1. up to 20 June 2013, the aggregate outstanding principal amount and interests (including overdue penalty interest) under the Bank Loans were RMB47,700,000 (the "Principal") and RMB125,265,000 (the "Interests") respectively;

2. in order to repay the Principal and the Interests under the Bank Loans, Lugang shall repay the Principal of RMB47,700,000, the Interests in the sum of RMB10,000,000 and the Bank's litigation costs for the sum of RMB615,000 to the Bank (an aggregate of RMB58,315,000, collectively, the "Settlement Sum"); and

3. the Bank shall waive a portion of the Interests in the sum of RMB115,265,000 accrued under the Bank Loans up to 20 June 2013 and any other interests accrued thereafter.

On 9 December 2013, Lugang paid the Settlement Sum to the Bank and the Bank withdrew the Legal Proceedings from the court. Up to 9 December 2013, the provision for litigations in respect of the Legal Proceedings carried in the then consolidated statement of financial position amounted to RMB180,648,000 (equivalent to HK$231,356,000), of which RMB12,497,000 (equivalent to HK$15,766,000) was recognised in profit or loss during the year ended 31 December 2013. After the payment of the settlement sum in respect of the Principal and the Interest, amounting to RMB57,700,000 (equivalent to HK$72,789,000), an over provision in the amount of RMB122,948,000 (equivalent to HK$155,099,000), being the waived provision for litigations, had been written back in profit or loss during the year ended 31 December 2013.

Further details of the settlement arrangement are set out in the Company's announcement dated 9 December 2013.

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35. DEFINED BENEFIT PLANS

Certain employees of Holiday Inn BJ, an indirectly-held wholly-owned subsidiary of the Company, can enjoy retirement benefits after retirement pursuant to certain of its defined benefit plans. The plans are exposed to interest rate risk and the risk of changes in the life expectancy of the employees.

(a) Net benefit expense (recognised in administrative expenses)

	Supplemental post-retirement benefits HK$'000
From 7 August 2014 (date of acquisition of Holiday Inn BJ) to 31 December 2014	
Current service cost	415
Interest cost	630
	1,045

(b) Present value of the defined benefit obligations

	Supplemental post-retirement benefits HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Acquisition of a subsidiary (note 40)	12,639
Net benefit expenses recognised in profit or loss	1,045
Benefits paid	(403)
Actuarial losses on obligations recognised in other comprehensive income	2,316
Exchange realignment	(83)
At 31 December 2014	15,514
Portion classified as current liabilities included in other payables and accruals (note 30)	(425)
Non-current portion	15,089

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35. DEFINED BENEFIT PLANS (Continued)

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at 31 December 2014 by Towers Watson & Co., using the projected unit credit actuarial cost method. The material actuarial assumption used in determining the defined benefit obligations for the Group's plans are as follows:

	2014
Discount rate	**4%**

A quantitative sensitivity analysis for discount rate as at 31 December 2014 is shown below:

	Increase in rate	**Decrease in net defined benefits obligations**	**Decrease in rate**	**Increase in net defined benefits obligations**
	%	HK$'000	%	HK$'000
Current service cost	0.25	(562)	0.25	600

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

At 31 December 2014, the expected contribution to be made within the next 12 months out of the defined benefit obligations was HK$1,037,000.

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36. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities and their movements during the year are as follows:

Group

		Attributable to		
	Notes	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2013		40,889	25,518	66,407
Acquisition of subsidiaries	40	–	230,589	230,589
Net deferred tax charged to profit or loss during the year	11	1,635	48,440	50,075
Exchange realignment		1,615	1,795	3,410
At 31 December 2013 and 1 January 2014		44,139	306,342	350,481
Acquisition of subsidiaries	40	188,163	174,007	362,170
Net deferred tax charged/(credited) to profit or loss during the year	11	(2,989)	89,645	86,656
Exchange realignment		(1,783)	(8,312)	(10,095)
At 31 December 2014		227,530	561,682	789,212

Notes:

(a) At 31 December 2014, deferred tax assets have not been recognised in respect of unused tax losses of HK$166,420,000 (2013: HK$99,705,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$152,290,000 (2013: HK$52,987,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is 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 rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2013: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$6,507,000 (2013: 15,354,000) in aggregate as at 31 December 2014.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2013: Nil).

NOTES TO FINANCIAL STATEMENTS

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37. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,750,587,849 (2013: 6,243,121,654) ordinary shares of HK$0.10 each	**675,059**	624,312

A summary of the movements of the Company's issued capital and share premium accounts during the years ended 31 December 2014 and 2013 is as follows:

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2013		3,837,788,500	383,779	–	383,779
Issue of shares upon exercise of share options	(a)	300,000	30	131	161
Issue of shares upon conversion of convertible bonds	(b)	2,281,600,407	228,160	1,338,780	1,566,940
Issue of shares upon acquisition of subsidiaries	(c)	123,432,747	12,343	61,110	73,453
At 31 December 2013 and 1 January 2014		6,243,121,654	624,312	1,400,021	2,024,333
Issue of shares upon exercise of share options	(a)	18,300,000	1,830	10,641	12,471
Issue of shares upon conversion of convertible bonds	(b)	2,000,000	200	1,204	1,404
Issue of shares upon acquisition of receivables	(d), (e)	487,166,195	48,717	283,007	331,724
At 31 December 2014		6,750,587,849	675,059	1,694,873	2,369,932

NOTES TO FINANCIAL STATEMENTS

31 December 2014

37. SHARE CAPITAL (Continued)

Shares (Continued)

Notes:

(a) The subscription rights attaching to 8,300,000, 4,000,000 and 6,000,000 (2013: 300,000) share options were exercised at the subscription prices of HK$0.41, HK$0.574 and HK$0.465 (2013: HK$0.41) per share, respectively, for a total cash consideration, before expenses, of HK$8,489,000 (2013: HK$123,000). The issued capital and share premium account were increased as to HK$1,830,000 (2013: HK$30,000) and HK$6,659,000 (2013: HK$93,000), respectively. Also, an amount of HK$3,982,000 (2013: HK$38,000) was transferred from the share option reserve to the share premium account upon exercise of the share options.

(b) During the year ended 31 December 2014, Placing Convertible Bonds with an aggregate principal amount of HK$1,300,000 were converted by bondholders into 2,000,000 ordinary shares of the Company at the conversion price of HK$0.65 per share. The difference of HK$1,204,000 between the nominal value of the ordinary shares issued of HK$200,000 and the then aggregate carrying amount of the liability and equity components of the Placing Convertible Bonds at the dates of conversions of HK$1,404,000, was transferred to the Company's share premium account.

During the year ended 31 December 2013, Convertible Bonds of the Company with an aggregate principal amount of HK$1,483,040,000 were converted by BEREHK into an aggregate of 2,281,600,407 ordinary shares of the Company at the conversion price of HK$0.65 per share. The aggregate difference of HK$1,338,780,000 between the nominal value of the ordinary shares issued of HK$228,160,000 and the then aggregate carrying amount of the liability and equity components of the convertible bonds at the respective dates of conversion amounting to HK$1,566,940,000, was transferred to the Company's share premium account.

(c) During the year ended 31 December 2013, the Company allotted and issued an aggregate of 123,432,747 new ordinary shares of the Company as part of the considerations for the acquisitions of Hong Kong High Church Group Limited ("High Church HK"). Phoenix Real Estate Fund Wai Gao Qiao Holdings Limited ("Phoenix HK") and Oriental Union. The aggregate fair value of the ordinary shares as quoted in the Stock Exchange upon completion of the acquisitions was HK$73,453,000, of which HK$12,343,000 and HK$61,110,000 were credited to the issued capital and share premium account of the Company, respectively. Further details of the acquisitions are set out in note 40(b) to the financial statements.

(d) On 1 April 2014, the Company alloted and issued 433,199,610 new ordinary shares of the Company to Beijing Holdings Ltd. ("BHL"), a fellow subsidiary of the Company, as the consideration for the acquisitions of receivables in an aggregate amount of HK$284,876,000. Further details of the transactions are set out in the Company's announcements dated 24 January 2014, 14 February 2014 and 1 April 2014, and circular dated 6 March 2014.

(e) On 30 May 2014, the Company alloted and issued 53,966,585 new ordinary shares of the Company to BHL as part of the consideration for the acquisition of a receivable from a subsidiary of BHL with a principal amount of HK$46,848,000. Further details of the transaction are set out in the Company's announcements dated 8 April 2014 and 30 May 2014, and circular dated 8 May 2014.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

38. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for ten years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

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38. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

		2014		2013	
	Notes	Weighted average exercise price (HK$ per share)	Number of options '000	Weighted average exercise price (HK$ per share)	Number of options '000
At 1 January		0.469	682,613	0.432	502,913
Granted during the year	(a)	0.907	230,000	0.574	180,000
Exercised during the year	37(a)	0.464	(18,300)	0.410	(300)
At 31 December	(d), (e)	0.582	894,313	0.469	682,613

Notes:

(a) The share options were granted on 31 March 2014 and 28 August 2014 (2013: 24 May 2013). The fair values of the options, all vested immediately on the date of grant, were determined at the respective dates of grant using a binomial model and ranged from HK$0.2381 to HK$0.4381 (2013: from HK$0.1599 to HK$0.2616) per option. The following table lists the inputs to the model used:

	Date of grant		
	28 August 2014	31 March 2014	24 May 2013
Grant date share price	HK$0.74	HK$0.92	HK$0.53
Exercise price	HK$0.75	HK$0.94	HK$0.57
Option life	10 years	10 years	10 years
Expected volatility	51.073%	39.393%	46.470%
Dividend yield	0%	0%	0%
Risk-free interest rate	1.869%	2.256%	1.242%

The fair values of the options have been arrived at on the basis of a valuation carried out by Asset Appraisal Limited (2013: Assets Appraisal Limited), independent qualified professional valuers, on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business of logistics and property development as of the valuation dates and reflected the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised an aggregate equity-settled share option expense of HK$66,848,000 (2013: HK$36,821,000) in profit or loss during the year.

NOTES TO FINANCIAL STATEMENTS

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38. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(b) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options outstanding			
2014	2013	**Exercise price***	**Exercise period****
'000	'000	(HK$ per share)	
194,000	200,000	0.465	28-10-2011 to 27-10-2021
294,313	302,613	0.410	1-6-2012 to 31-5-2022
176,000	180,000	0.574	24-5-2013 to 23-5-2023
190,000	–	0.940	31-3-2014 to 30-3-2024
40,000	–	0.750	28-8-2014 to 27-8-2024
894,313	682,613		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The share options have no vesting period.

(c) At 31 December 2014, the Company had 894,313,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 894,313,000 additional ordinary shares of the Company and additional share capital of HK$89,431,000 and share premium of HK$431,071,000 (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).

39. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The share option reserve of the Group and the Company comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

(iii) The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Mainland China. None of the Group's PRC reserve funds as at 31 December 2014 were distributable in the form of cash dividends.

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39. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$'000 (note 37)	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000 (note 33)	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2013		–	423,880	78,535	174,952	66,551	83,038	826,956
Loss for the year		–	–	–	–	–	(57,325)	(57,325)
Other comprehensive income for the year								
– Exchange differences on translation		–	–	–	–	80,230	–	80,230
Total comprehensive income for the year		–	–	–	–	80,230	(57,325)	22,905
Issue of shares upon exercise of share options	37(a)	131	–	(38)	–	–	–	93
Issue of shares upon conversion of convertible bonds	37(b)	1,338,780	–	–	(166,940)	–	–	1,171,840
Issue of shares upon acquisition of subsidiaries	37(c)	61,110	–	–	–	–	–	61,110
Equity-settled share option arrangements	38(b)	–	–	36,821	–	–	–	36,821
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	33	–	–	–	(7,754)	–	7,754	–
At 31 December 2013 and 1 January 2014		1,400,021	423,880	115,318	258	146,781	33,467	2,119,725
Loss for the year		–	–	–	–	–	(101,255)	(101,255)
Other comprehensive income for the year								
– Exchange differences on translation		–	–	–	–	(53,909)	–	(53,909)
Total comprehensive loss for the year		–	–	–	–	(53,909)	(101,255)	(155,164)
Issue of shares upon exercise of share options	37(a)	10,641	–	(3,982)	–	–	–	6,659
Issue of shares upon conversion of convertible bonds	37(b)	1,204	–	–	(172)	–	–	1,032
Issue of shares upon acquisition of receivables	37(d), (e)	283,007	–	–	–	–	–	283,007
Equity-settled share option arrangements	38(b)	–	–	66,848	–	–	–	66,848
Transfer of equity component of convertible bonds upon early redemption of convertible bonds		–	–	–	(86)	–	86	–
Issue of convertible bonds	33	–	–	–	247,321	–	–	247,321
At 31 December 2014		1,694,873	423,880	178,184	247,321	92,872	(67,702)	2,569,428

NOTES TO FINANCIAL STATEMENTS

31 December 2014

40. BUSINESS COMBINATIONS

Business combinations for the year ended 31 December 2014 (note (a))

The aggregate fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2014 as at their respective dates of acquisition were as follows:

		2014			
	Notes	**TJ Zhongyu** HK$'000 (note (a)(i))	**Guangzhou Guangming** HK$'000 (note (a)(ii))	**Holiday Inn BJ** HK$'000 (note (a)(iii))	**Total** HK$'000
Net assets acquired:					
Property, plant and equipment	14	161	168,031	714,110	882,302
Investment properties	15	80,229	1,602,965	–	1,683,194
Properties held for sale	23	–	101,451	–	101,451
Inventories		–	–	1,220	1,220
Trade receivables		–	7,731	1,974	9,705
Prepayments, deposits and other receivables		10,188	13,081	1,521	24,790
Due from holding company		–	48,606	–	48,606
Restricted cash		–	13,344	–	13,344
Cash and cash equivalents		63,403	23,951	120,778	208,132
Trade payables		–	(70,911)	(7,232)	(78,143)
Other payables and accruals		(13,446)	(402,064)	(17,374)	(432,884)
Due to shareholders		–	(3,123)	–	(3,123)
Income tax payables		–	(19)	(77)	(96)
Bank borrowings		–	(237,004)	–	(237,004)
Provision for compensation and litigations	34	–	(514,243)	–	(514,243)
Defined benefit plans	35(b)	–	–	(12,639)	(12,639)
Deferred tax liabilities	36	–	(193,380)	(168,790)	(362,170)
Total identifiable net assets at fair value		140,535	558,416	633,491	1,332,442
Non-controlling interests	(c)	(56,214)	(5,584)	(158,373)	(220,171)
		84,321	552,832	475,118	1,112,271
Goodwill on acquisition	17	18,738	–	44,031	62,769
Gain on bargain purchase of subsidiaries recognised in profit or loss	(d)	–	(58,876)	–	(58,876)
		103,059	493,956	519,149	1,116,164
Satisfied by:					
Cash		103,059	47,221	519,149	669,429
Interest in a joint venture held prior to acquisition		–	446,735	–	446,735
		103,059	493,956	519,149	1,116,164
Revenue for the year since acquisition		–	23,495	43,925	67,420
Profit for the year since acquisition		7,090	6,978	3,604	17,672
An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:					
Cash consideration		(103,059)	(47,221)	(519,149)	(669,429)
Cash and bank balances acquired		63,403	37,295	120,778	221,476
Deposits paid for the acquisitions in the prior year	22	–	47,221	153,691	200,912
Net inflow/(outflow) of cash and cash equivalents included in cash flow from investing activities		(39,656)	37,295	(244,680)	(247,041)
Transaction costs of the acquisition included in cash flows from operating activities		–	(785)	(957)	(1,742)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries		(39,656)	36,510	(245,637)	(248,783)

NOTES TO FINANCIAL STATEMENTS

31 December 2014

40. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 31 December 2013 (note (b))

The aggregate fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2013 as at their respective dates of acquisition were as follows:

		2013				
	Notes	**High Broad HK** HK$'000 (note (b)(i))	**High Church HK** HK$'000 (note (b)(ii))	**Phoenix HK** HK$'000 (note (b)(iii))	**Oriental Union** HK$'000 (note (b)(iv))	**Total** HK$'000
Net assets acquired:						
Property, plant and equipment	14	205	–	–	–	205
Investment properties	15	225,404	117,825	2,177,198	–	2,520,427
Investment in a joint venture	19	–	–	–	480,899	480,899
Deposit paid for acquisition of additional interest in a joint venture	22	–	–	–	47,221	47,221
Trade receivables		12	–	18,003	–	18,015
Prepayments, deposits and other receivables		369	727	14,736	–	15,832
Restricted cash		–	–	186,439	–	186,439
Cash and cash equivalents		6,823	–	582	28	7,433
Trade payables		–	–	(4,316)	–	(4,316)
Other payables and accruals		(6,903)	(887)	(36,475)	(9,253)	(53,518)
Due to related parties		–	–	–	(105,648)	(105,648)
Bank and other borrowings		–	–	(766,471)	(162,040)	(928,511)
Income tax payables		–	–	(4,297)	–	(4,297)
Loan from a non-controlling shareholder		–	(27,812)	–	–	(27,812)
Deferred tax liabilities	36	(39,453)	(5,739)	(185,397)	–	(230,589)
Total identifiable net assets at fair value		186,457	84,114	1,400,002	251,207	1,921,780
Non-controlling interests	(c)	(55,937)	(6,282)	–	–	(62,219)
		130,520	77,832	1,400,002	251,207	1,859,561
Gains on bargain purchases of subsidiaries recognised in profit or loss	(d)	(3,624)	(8,370)	(246,885)	(197,862)	(456,741)
		126,896	69,462	1,153,117	53,345	1,402,820
Satisfied by:						
Cash		126,896	60,353	1,142,117	–	1,329,366
Issue of new ordinary shares of the Company as consideration	37(c)	–	9,109	11,000	53,345	73,454
		126,896	69,462	1,153,117	53,345	1,402,820

NOTES TO FINANCIAL STATEMENTS

31 December 2014

40. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 31 December 2013 (note (b)) (Continued)

	2013				
	High Broad HK$'000 (note (a)(i))	High Church HK$'000 (note (a)(ii))	Phoenix HK HK$'000 (note (a)(iii))	Oriental Union HK$'000 (note (a)(iv))	Total HK$'000
Revenue for the year since acquisition	6,510	–	19,878	–	26,388
Profit/(loss) for the year since acquisition	3,170	(1,227)	9,778	–	11,721
An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:					
Cash consideration paid	(126,896)	(60,353)	(1,142,117)	–	(1,329,366)
Cash and bank balances acquired	6,823	–	187,021	28	193,872
Net outflow of cash and cash equivalents included in cash flows from investing activities	(120,073)	(60,353)	(955,096)	28	(1,135,494)
Transaction costs of the acquisitions included in cash flows from operating activities	(331)	–	(1,837)	(1,815)	(3,983)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(120,404)	(60,353)	(956,933)	(1,787)	(1,139,477)

Notes:

(a) Business combinations during the year ended 31 December 2014 included the following transactions:

(i) On 13 May 2014, the Group acquired 60% equity interest in 天津中漁置業有限公司 ("TJ Zhongyu") through a capital contribution of RMB82,500,000 (equivalent to approximately HK$103,059,000) to TJ Zhongyu by the Group. During the year ended 31 December 2014, the investment properties of TJ Zhongyu was under construction and there was no turnover generated;

(ii) During the year ended 31 December 2014, the Group acquired an additional 19% equity interest in Guangzhou Guangming and obtained control over it after effecting amendments to the memorandum and articles of association of Guangzhou Guangming during the year. Since then, Guangzhou Guangming became a 99% owned subsidiary of the Group; and

(iii) On 7 August 2014, the Group acquired 75% equity interest in Holiday Inn BJ from a third party for a cash consideration of RMB415,620,300 (equivalent to approximately HK$526,232,000). Holiday Inn BJ is a company registered in the PRC and principally engaged in operating a hotel in Beijing, the PRC. The hotel operation includes renting out of guest rooms, operation of restaurants and retail shops, retail sales of alcohol and cigarettes, operation of gymnasiums and massage parlours.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

40. BUSINESS COMBINATIONS (Continued)

Notes: (Continued)

(b) Business combinations during the year ended 31 December 2013 included the following transactions:

(i) On 1 August 2013, the Group acquired 100% equity interest in Hong Kong High Broad International Investment Group Limited ("High Broad HK") and 36.07% equity interest in 天津萬士隆國際物流有限公司 ("WSL Logistics") for an aggregate cash consideration of RMB101,500,000 (equivalent to HK$126,896,000). High Broad HK is an investment holding company holding 33.93% equity interest in WSL Logistics which owns a warehouse in Tianjin Airport Economic Area for leasing out to tenants for rental income;

(ii) On 24 September 2013, the Group acquired 70% equity interest in High Church HK and a shareholder's loan amounting to RMB23,100,000 owed by High Church HK to its then shareholder for an aggregate consideration of RMB56,056,000, satisfied as to RMB48,056,000 (equivalent to HK$60,353,000) in cash and RMB8,000,000 by the issue of 15,981,289 new ordinary shares of the Company, which had a fair value of HK$9,109,000 on the completion date. High Church HK is an investment holding company holding 100% equity interest in 天域萬隆物流(天津)有限公司("Transwealth Logistics") which owns the land use right of a parcel of land located at Tianjin Airport International Logistics Zone and is in the process of acquiring the warehouses on the land for leasing in future;

(iii) On 1 November 2013, the Group acquired 100% equity interest in Phoenix HK for an aggregate consideration of US$147,855,000 (equivalent to approximately HK$1,153,117,000), as adjusted upward according to the mechanism stated in the relevant sale and purchase agreement, satisfied as to HK$1,142,117,000 in cash and US$1,573,000 (equivalent to approximately HK$12,200,000) by the issue of 20,000,000 new ordinary shares of the Company, which had a fair value of HK$11,000,000 on the completion date. Phoenix HK is an investment holding company holding 100% equity interest in 上海凡宜和倉儲有限公司 ("Shanghai Phoenix WGQ") which engages in the business of leasing warehouses to logistics companies for rental income; and

(iv) On 31 December 2013, the Company acquired from BHL 99.9% equity interest in Oriental Union and an interest-free shareholder's loan of HK$44,880,000 (the "Oriental Union Shareholder's Loan") owed by Oriental Union for an aggregate consideration of HK$50,372,000, satisfied by the issue of 87,451,458 new ordinary shares of the Company which had a fair value of HK$53,345,000 on the completion date. Oriental Union is an investment holding company holding an 80% equity interest in a joint venture, Guangzhou Guangming, which owns and operates a shopping mall located in the central area of Guangzhou, Guangdong Province, the PRC.

In addition, pursuant to the acquisition agreement, the Company took up the obligations and title of an option granted to Noble Enterprises Limited ("Noble", a previous shareholder of Oriental Union") (the "Repurchase Option") by BHL, under which, subject to Noble having procured the repayment and settlement of the bank loans owed by Oriental Union and Guangzhou Guangming (collectively, the " Oriental Union Group") from time to time and the release of the Company from its liabilities under the security documents of the Oriental Union Group, Noble may repurchase from the Company 69.9% of Oriental Union's issued share capital and the Oriental Union Shareholder's Loan at an exercise price of HK$154,800,000 before 17 January 2014. If Noble did not exercise the Repurchase Option, the Company would be entitled to an additional interest-free loan of HK$43,120,000 owed by Oriental Union to Noble.

On 31 December 2013, the Company had a debt restructuring arrangement with Noble, pursuant to which Noble released Oriental Union from all the obligations under the loan of HK$43,120,000 advanced by it to Oriental Union in previous years. Accordingly, the Group recognised a gain on debt restructuring of HK$43,120,000 in profit or loss during the year ended 31 December 2013.

(c) The Group has elected to measure the non-controlling interests in the subsidiaries acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired during the years ended 31 December 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

40. BUSINESS COMBINATIONS (Continued)

Notes: (Continued)

(d) In the opinion of the directors, the gains on bargain purchases of subsidiaries were resulted from the appreciation of the fair values of the underlying properties held by these subsidiaries between the date when the consideration was determined and the date of completion of the relevant transactions.

(e) The aggregate fair values (and their respective gross contractual amounts) of the trade receivables and deposits and other receivables as at their respective dates of acquisition amounted to HK$9,705,000 (2013: HK$18,015,000) and HK$24,790,000 (2013: HK$13,818,000), respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be recovered.

(f) Had the above business combinations taken place at the beginning of the year, the Group's revenue and profit for the year would have been HK$163,263,000 (2013: HK$143,938,000) and HK$3,148,000 (2013: HK$1,030,465,000), respectively, assuming there were no material differences in the fair values of the identifiable assets and liabilities of the subsidiaries acquired on 1 January 2014 (2013: 1 January 2013) and their respective actual acquisition dates.

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Apart from the transaction detailed in notes 6, 37(b), (d) and (c) to the financial statements, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2014 and 2013.

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**2,466,549**	1,223,700
A joint venture	**–**	216,000	**–**	216,000
	–	216,000	**2,466,549**	1,439,700
Guarantee given to banks in connection with mortgage facilities granted to certain purchasers of properties developed by a subsidiary of the Group in prior years	**42,000**	–	**–**	–
Total	**42,000**	216,000	**2,466,549**	1,439,700

As at 31 December 2014, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$2,222,148,000 (2013: utilised by certain subsidiaries and a joint venture to the extent of approximately HK$1,077,080,000 and HK$186,922,000, respectively).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its completed investment properties (note 15) under operating lease arrangements, with the leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**211,528**	94,618
In the second to fifth years, inclusive	**379,216**	83,427
After five years	**152,198**	252
	742,942	178,297

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years (2013: one to ten years).

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**495**	643
In the second to fifth years, inclusive	**2,458**	2,520
	2,953	3,163

NOTES TO FINANCIAL STATEMENTS

31 December 2014

44. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Authorised, but not provided for:		
Construction of warehouses	**–**	72,167
Contracted, but not provided for:		
Acquisition of a joint venture	**137,260**	–
Acquisition of subsidiaries	**–**	484,260
Acquisition of an office building	**–**	97,068
Capital contribution to a joint venture	**1,423,974**	1,460,004
Construction of warehouses	**228,786**	14,178
	1,790,020	2,055,510
Total capital commitments	**1,790,020**	2,127,677

In addition, at 31 December 2014, the Group's share of a joint venture's own capital commitment, which is contracted but not provided for and is not included in the above, amounted to HK$35,890,000 (2013: HK$28,429,000)

At 31 December 2014, the Company did not have any significant capital commitments (2013: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

45. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Rental income received from:	(i)		
– an associate of the ultimate holding company#		**3,445**	3,391
– a non-controlling equity holder of a subsidiary#		**822**	343
– an associate of a non-controlling equity holder of a subsidiary#		**452**	192
Interest income, net of business tax, received or receivable from a joint venture	(ii)	**18,751**	19,851
Rental expense paid or payable to a fellow subsidiary#	(iii)	**1,814**	1,818
Management fee paid or payable to an associate of a non-controlling equity holder of a subsidiary#	(iv)	**474**	158
Interest expense paid or payable to:	(v)		
– a fellow subsidiary		**–**	1,934
– an intermediate holding company		**–**	277

These transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

45. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

(i) The rental income related to the leases of a warehouse, a platform office and an office by the Group to an associate of the ultimate holding company of the Company for its business activities. The rental income was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into. Further details of those transactions are set out in the Company's announcement dated 31 December 2012.

(ii) The interest income was charged on bank entrusted loans advanced to a joint venture at mutually-agreed rates.

(iii) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary. The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreement was entered into. Further details of this transaction are set out in the Company's announcement dated 17 April 2012.

(iv) The management fee was determined by reference to the property management market rate for the properties of comparable size, location and facilities at the time when the property management agreements were entered into.

(v) The interest expenses were charged based on the interest rates mutually agreed by the relevant parties.

Save as disclosed above and the balances detailed in notes 18, 19, 27 and 33 to the financial statements, the Group and the Company had no material transactions and outstanding balances with related parties during the years ended 31 December 2014 and 2013.

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

(c) Compensation of key management personnel of the Group:

	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**9,413**	10,754
Equity-settled share option expense	**16,330**	23,305
Pension scheme contributions	**553**	506
Total compensation paid to key management personnel	**26,296**	34,565

Further details of directors' emoluments are included in note 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

46. FINANCIAL INSTRUMENTS BY CATEGORY

Except for an equity investment held by the Group being classified as an available-for-sale equity investment as further detailed in note 21 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013 were loans and receivables and financial liabilities stated at amortised cost, respectively.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liberties was assessed to be insignificant.

	Carrying amount		**Fair value**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current financial asset:				
Prepayments, deposits and other receivables	**47,934**	25,614	**47,934**	24,749
Non-current financial liabilities:				
Due to related parties	**238,095**	30,395	**229,259**	29,369
Bank and other borrowings	**1,459,417**	904,669	**1,498,092**	904,669
	1,697,512	935,064	**1,727,351**	934,038

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, balances with related parties and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables and other payables.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2014, the Group's interest-bearing borrowings amounting to HK$2,175,383,000 bore interest at floating rates (2013: HK$1,065,145,000). Nevertheless, in the opinion of the directors, the Group has no significant interest rate risk for the year ended 31 December 2013 as all of these interest-bearing borrowings bearing floating interest rates were obtained through the acquisitions of Phoenix HK and Oriental Union of which the transactions were only completed on 1 November 2013 and 31 December 2013, respectively.

At 31 December 2014, it was estimated that a general decrease/increase of 100 basis points in interest rate of average balances of bank and other loans and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$13,350,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk (Continued)

Due to the fact that the presentation currency of these financial statements is Hong Kong dollar but the functional currency of the Company, the PRC subsidiaries, joint ventures and associates is RMB, the net assets of the Group's investments in these entities are exposed to foreign currency translation risk.

(c) Credit risk

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that securities deposits equivalent to three months rental are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by diversity in customer base and geographic locations of warehouse portfolio.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

The credit risk of the Group's other financial assets, which comprise amounts due from joint ventures and related parties, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	No fixed term/ on demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years HK$'000	Total HK$'000
At 31 December 2014						
Trade payables	65,468	7,647	–	–	–	73,115
Other payables and accruals	25,476	166,820	–	–	–	192,296
Due to a joint venture	4,163	–	–	–	–	4,163
Due to related parties	10,715	625	205,852	625	1,249	219,066
Bank loans	–	851,318	1,437,787	19,967	116,315	2,425,387
Other loans	7,256	–	–	–	–	7,256
Convertible bonds	–	52,609	58,495	65,058	572,396	748,558
Guarantee given to a bank in connection with mortgage facilities granted to certain purchaser of properties developed in prior years	42,000	–	–	–	–	42,000
	155,078	1,079,019	1,702,134	85,650	689,960	3,711,841

	No fixed term/ on demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
At 31 December 2013					
Trade payables	–	659	–	–	659
Other payables and accruals	–	41,427	–	–	41,427
Due to a joint venture	48,291	–	–	–	48,291
Due to related parties	316,761	5,760	–	–	322,521
Bank loans	154,894	8,682	12,833	980,932	1,157,341
Other loans	2,572	47,245	–	–	49,817
Convertible bonds	1,950	–	–	–	1,950
Loan from a non-controlling shareholder	–	–	30,395	–	30,395
Guarantee given to a bank in connection with facilities granted to a joint venture	186,922	–	–	–	186,922
	711,390	103,773	43,228	980,932	1,839,323

NOTES TO FINANCIAL STATEMENTS

31 December 2014

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Company's financial liabilities as at 31 December 2014, base on the contractual undiscounted payments, is as follow:

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years HK$'000	Total HK$'000
Due to the immediate holding company	2,116	–	–	–	–	2,116
Due to subsidiaries	299	–	–	–	–	299
Other payables and accruals	–	24,661	–	–	–	24,661
Bank borrowing	–	30,868	46,903	–	–	77,771
Convertible bonds	–	52,609	58,495	65,058	572,396	748,558
Guarantee given to a bank in connection with facilities granted to subsidiaries	2,222,148	–	–	–	–	2,222,148
	2,224,563	108,138	105,398	65,058	572,396	3,075,553

Financial liabilities of the Company included in current liabilities as at 31 December 2013 either had no fixed terms of repayment or were due for repayment within one year. The contractual undiscounted payments of these financial liabilities approximate to their carrying amounts. In addition, as at 31 December 2013, the banking facilities granted to certain subsidiaries and a joint venture subject to guarantees given to certain banks by the Company were utilised to the extent of approximately HK$1,077,080,000 and HK$186,922,000, respectively (note 40). These amounts were repayable on demand.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank and other borrowings, redeemable equity instrument, the liability component of the convertible bonds and a loan from a fellow subsidiary. The gearing ratio as at the end of the reporting period was as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Total borrowings	**3,539,135**	1,144,618
Total assets	**9,555,333**	5,448,227
Gearing ratio	**37%**	21%

49. EVENTS AFTER THE REPORTING PERIOD

(a) On 30 January 2015, the Group entered into a sale and purchase agreement with Genvon, a 20.86% associate of the Group, pursuant to which, the Group agreed to sell and Genvon agreed to acquire the entire issued capital of Zhi Jian Limited at a cash consideration of HK$408,000,000. As at 31 December 2014, the major assets held by Zhi Jian Limited and its subsidiaries are property, plant and equipment and investment properties. Up to the date of approval of these financial statements, the transfer is pending approval by the shareholders of Genvon and hence is not yet completed.

(b) In February 2015, a bank loan amounting to HK$342,000,000, which was included in current liabilities of the Group as at 31 December 2014, had been renewed with a renewed repayment date in February 2016.

50. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

PARTICULARS OF PROPERTIES

31 December 2014

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 and Level 1 and 2 on No. 59, 60, 90, 119, 120, 159, 160, 199, 200, 239 and 240 Shen Ya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC	Warehouse	Medium term lease	100%
Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC	Warehouse	Medium term lease	70%
No. Jia 1 Dong Si Huan Nan Road, Chaoyang District, Beijing City, the PRC	Warehouse	Medium term lease	82.24%
Metro Mall No. 63 Xihu Road Yuexiu District, Guangzhou City, Guangdong Province, the PRC*	Shopping mall	Medium term lease	98.9%
Investment properties under construction			
Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC	Warehouse	Medium term lease	70%
Marine Economic Area, Binhai New Area, Hangu District, Tianjin City, the PRC	Logistics	Medium term lease	60%
Section No.2012-3, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC	Logistics	Medium term lease	100%
Section No.2014-1, Jiang Ja Shan Kecheng District, Quzhou City Zhejiang Province, the PRC	Logistics	Medium term lease	100%

* The 6 Floor of Metro Mall was classified as properties held for sale as at 31 December 2014 (note 23).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements, is set out below:

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS					
Revenue	**202,983**	35,848	11,007	1,540,538	–
Profit/(loss) before tax from continuing operations	**298,209**	776,031	(113,395)	510,259	(116,966)
Income tax	**(107,199)**	(53,228)	(632)	(250,785)	–
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**191,010**	722,803	(114,027)	259,474	(116,966)
DISCONTINUED OPERATION					
Profit/(loss) for the year from discontinued operation	**–**	–	5,674	(1,384)	(37,416)
Profit/(loss) for the year	**191,010**	722,803	(108,353)	258,090	(154,382)
Attributable to:					
Shareholders of the Company	**166,876**	700,962	(97,769)	114,594	(152,753)
Non-controlling interests	**24,134**	21,841	(10,584)	143,496	(1,629)
	191,010	722,803	(108,353)	258,090	(154,382)

ASSETS, LIABILITIES AND TOTAL EQUITY

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**9,555,333**	5,448,227	3,092,269	4,212,155	4,134,256
Total liabilities	**(5,243,365)**	(1,950,795)	(1,950,857)	(2,786,838)	(3,199,754)
NET ASSETS	**4,311,968**	3,497,432	1,141,412	1,425,317	934,502
Attributable to:					
Shareholders of the Company	**4,161,837**	3,430,199	1,156,867	1,226,589	882,869
Non-controlling interests	**150,131**	67,233	(15,455)	198,728	51,633
TOTAL EQUITY	**4,311,968**	3,497,432	1,141,412	1,425,317	934,502