KAI YUAN HOLDINGS LIMITED
開源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1215)

ANNUAL REPORT

2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Xue Jian
Mr. Law Wing Chi, Stephen

Non-executive Director

Mr. Hu Yishi *(Chairman)*

Independent non-executive Directors

Mr. Tam Sun Wing
Mr. Ng Ge Bun
Mr. He Yi

AUDIT COMMITTEE

Mr. Tam Sun Wing *(Chairman)*
Mr. Ng Ge Bun
Mr. He Yi

REMUNERATION COMMITTEE

Mr. Tam Sun Wing *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. He Yi
Mr. Ng Ge Bun

NOMINATION COMMITTEE

Mr. Ng Ge Bun *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. He Yi
Mr. Tam Sun Wing

COMPANY SECRETARY

Mr. Law Wing Chi, Stephen

STOCK CODE

1215

WEBSITE

www.kaiyuanholdings.com

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

SHARE REGISTRAR

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

28th Floor, Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

SOLICITORS

K&L Gates
44th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hong Kong & Shanghai Banking Corporation Limited

CHAIRMAN'S STATEMENT

On behalf of the Board of Kai Yuan Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group" or "Kai Yuan), I hereby present the results of the Group for the year ended 31 December 2015 (the "Year").

The Group recorded the loss of approximately HK$44.1 million for the Year, turnaround from the profit of approximately HK$105.6 million for the year ended 31 December 2014 (the "Preceding Year"). The net loss attributable to owners of the Company for the Year amounted to approximately HK$20.3 million, as compared to the net profit of approximately HK$106.4 million for the Preceding Year.

Subsequent to the addition of the Paris Marriott Champs-Elysees Hotel (the "Paris Marriott Hotel") and including the Butterfly on Waterfront Sheung Wan (the "Butterfly on Waterfront"), the Group has two hotels in the hotel operation segment. This segment had become the constitute revenue source of the Group. During the Year, the hotel operation segment contributed revenue of approximately HK$329.7 million to the Group, as compared to the revenue of approximately HK$88.7 million for the Preceding Year.

The Group's heat energy supply segment had operations in Tianjin city offering unique public utility services and had contributed stable revenue stream. However, the profitability of this segment had been challenged by fluctuation in the number of new projects launched, the increase in operating costs, as well as cost of constituent raw materials. The fluctuation and unsatisfactory results had led the Group to enter into an agreement with a third-party to dispose of its entire investments in this segment during the Year.

The Group recorded profit from the steel manufacturing and trading segment as the result of continuous decrease in prices of constituent raw materials in the Preceding Year. Nonetheless, the persistent decrease in steel product prices at faster pace than prices of constituent raw materials during the Year in the PRC had adversely affected the business of this segment. The unfavorable business conditions surrounding the steel industry in the PRC increased the uncertainty in the future financial performance of this segment. As a result, the Group entered into an agreement to dispose of its entire interest in this segment after the year-end.

Looking forward, the Group anticipates business and investment outlook of 2016 will continue to be challenging. Considering recent condition of global economic, the Group will remain vigilant on performance of investments from current business segments, but remain attentive to potential growth opportunities.

In conclusion and on behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, employees, suppliers and business partners for their continuous support and encouragement.

Hu Yishi
Chairman
29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

For the year ended 31 December 2015, revenue of the Group from continuing operations amounted to approximately HK$329.7 million, representing an increase of approximately 271.8% from approximately HK$88.7 million for the Preceding Year. The increase in revenue was mainly attributable to recognition of entire year of revenue contributed by the Paris Marriott Hotel of the hotel operation segment. The Group recorded a loss for the Year from continuing operations of approximately HK$72.5 million, as compared to loss of approximately HK$239.9 million for the Preceding Year. The decrease in loss for the Year from continuing operations was mainly attributable to sharing of an entire year of results of the Paris Marriott Hotel, absent of one-off transaction costs (including stamp duty, professional fees, government fees and taxation etc.) in relation to acquisition of the Paris Marriott Hotel and foreign exchange loss incurred in the Preceding Year, but compensated by recognition of finance costs for the entire year on bank loans and other loan incurred for the acquisition of the Paris Marriott Hotel.

During the Year, the Group had disposed of its entire investment in the heat energy supply segment; the Group had also entered into an agreement on 4 January 2016 to dispose of its entire investment in the steel manufacturing and trading segment. As a result, financial results of both those segments were recorded under discounted operations. After completion of disposal of the heat energy supply segment, the Group recorded a profit, after including disposal gain and reclassification of translation reserve from other comprehensive income to profit and loss, from the heat energy supply segment of approximately HK$40.9 million for the Year, as compared to loss of approximately HK$5.5 million for the Preceding Year. The Group recorded a loss from the steel manufacturing and trading segment of approximately HK$12.4 million for the Year, as compared to profit of approximately HK$351.0 million for the Preceding Year, which mainly resulted from softened demand as well as reduction in gross profit margin of steel products in China.

The Group recorded a loss for the Year of approximately HK$44.1 million, as compared to profit of approximately HK$105.6 million for the Preceding Year. Loss attributable to owners of the Company for the Year was approximately HK$20.3 million, as compared to profit of approximately HK$106.4 million for the Preceding Year. The basic and diluted loss per share of the Group for the Year was HK$0.16 cents, as compared to the basic and diluted earnings per share of HK$0.83 cents for the Preceding Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental review of the Group's operations during the Year is as follows:

HOTEL OPERATION

During the Year, the Group recorded revenue of approximately HK$329.7 million from the hotel operation segment, as compared to revenue of approximately HK$88.7 million for the Preceding Year. The increase in revenue for the Year was mainly attributable to recognition of an entire year of revenue contributed by the Paris Marriott Hotel. Notwithstanding increase in revenue, the Group recorded loss of approximately HK$36.9 million in this segment for the Year, as compared to the loss of approximately HK$145.1 million for the Preceding Year. The decrease in loss in this segment during the Year was mainly attributable to absent of one-off transaction costs for the acquisition of the Paris Marriott Hotel. The loss for the Year was mainly attributable to finance costs arising from interest on bank loans and loan from a related company drawn for acquisition of the Paris Marriott Hotel, Hence, assuming interests and taxation were excluded, this segment had earnings before interests and taxes (EBIT) of approximately HK$83.9 million for the year, as compared to the loss before interests and taxes of approximately HK$110.5 million for the Preceding Year.

During the Year, revenue from the Paris Marriott Hotel constituted principal source of revenue to the Group. Majority of customers of the Paris Marriott Hotel were originated from the United States and the Middle East. The purposes of traveling to and staying in Paris ranged from taking vacation to attending business meetings. Despite occupying a prime location in the Paris city, the hotel experienced severe impact on revenue, occupancy, average daily room rates and RevPAR* as the result of terrorist attacks occurred in both the first and last quarter of the Year. Below is a summary and comparison of operational performance of the Paris Marriott Hotel during the Year and against the Preceding Year:

	2015	2014
Occupancy	**84.3%**	90.1%
Average Room Rate	**€510**	€ 471
RevPAR*	**€429**	€ 425

* Revenue per available room

In accordance with Hong Kong Tourism Board visitor arrivals statistics for 2015, total number of visitor arrivals for the Year dropped by 2.5% as compared to the same period in 2014. The decline in number of overall visitor arrivals was the outcome of a mix of reasons, including but not limited to continued depreciation of regional currencies and negative impact from anti-parallel trading protesters exerted on travellers under the multiple-entry permit. As the result of decline in visitor arrivals, revenue, average daily room rates and RevPAR* of Butterfly on Waterfront for the Year declined. Below is a summary and comparison of operational performance of the Butterfly on Waterfront during the Year and against the Preceding Year:

	2015	2014
Occupancy	**98.2%**	97.5%
Average Room Rate	**HK$810**	HK$936
RevPAR*	**HK$796**	HK$912

* Revenue per available room

MANAGEMENT DISCUSSION AND ANALYSIS

HEAT ENERGY SUPPLY

The Group's heat energy supply subsidiaries in Tianjin, PRC operated heat energy supply projects located in the Meijiang district, Jinxia Xindu district and Xiqing Nanhe district (the "Three Districts"). For the ten months ended 28 October 2015 (the "Period"), the Group recorded revenue of approximately HK$180.5 million from this segment, as compared to revenue of approximately HK$316.3 million for the Preceding Year. The decrease in revenue was mainly attributable to decrease in heat connection fee from new development projects launched in the Three Districts during the Period. Furthermore, the Group's heat energy supply facilities had yet to be utilized at efficient levels to achieve economies of scale. In view of fluctuating and unsatisfactory performance of this segment over the past few years, the Group agreed to dispose of its entire investments in this segment to a third-party at a gross consideration of HK$131.0 million, the disposal was completed in October 2015. After completion of the disposal, the Group recorded profit, after including disposal gain and reclassification of translation reserve from other comprehensive income to profit and loss, from the heat energy supply segment of approximately HK$40.9 million for the Year.

STEEL MANUFACTURING AND TRADING

During the Year, the Group's steel manufacturing and trading business in China continued to be challenged by structural problems, including but not limited to overcapacity and weak demand, resulted mainly from downturn of the PRC's property market and modest economic growth. Weak market sentiments and in lack of recovery in price of steel products in PRC continued to exert significant pressure on gross profit margin of the associated companies (the "Associated Companies") of the Group. During the Year, the Group shared a loss of approximately HK$12.4 million from the steel manufacturing and trading segment, as compared to profit of approximately HK$351.0 million for the Preceding Year.

PROSPECTS

HOTEL OPERATION

The Board considers the Paris Marriott Hotel in France derives unparalleled value to the Group as the hotel occupies prime location in the heart of the Paris city. Notwithstanding the terrorist attacks in Paris last year, the Group is confident that performance of the Paris Marriott Hotel will soon recover. In order to enhance guest experience during their stay at the hotel, the Group is considering different renovation plans on guest rooms and reception lobby etc. for the Paris Marriott Hotel. As at the date of this report, the Group had not committed any renovation plans to the Paris Marriott Hotel.

Based on HVS, one of the World's leading hospitality consulting and valuation firm, transaction volume of European hotels for the Year increased by 65%, as compared to the Preceding Year, as the result of positive year-on-year RevPAR growth by the industry. The Group shares the same views on investment outlook of mid-level to luxury hotels in Europe, partly due to the sustained depreciation of Euro against United States dollars. In addition to Paris, the Group will closely look for hotel investment opportunities in major European cities.

The Butterfly on Waterfront offers hotel guests with a unique beautiful sea view of the Victoria Harbour, and is situated within close reach to a range of public transports. The Board is optimistic about the prospects of the Butterfly on Waterfront and expects the hotel will continue providing the Group with a solid revenue stream as well as capital gain potential. Meanwhile, the Butterfly on Waterfront will deploy electronic marketing tactics with a view to generating bookings, maintaining occupancy and improving average room rates.

STEEL MANUFACTURING AND TRADING

In consideration of the steep declines in contribution to the Group's profit by the Associated Companies since acquisition especially in recent years due to continuous recession in the steel industry, the Group entered into an agreement to dispose of its investments in this segment at the gross consideration of approximately HK$2,383.1 million. A special general meeting had been called to consider passing the ordinary resolution of the disposal. The ordinary resolution was passed on 14 March 2016.

MONEY LENDING BUSINESS

The Group is positive towards incubating money lending business as an alternative revenue source to the hotel operations segment. The Group intends to operate money lending business under the brand name of "Kai Yuan Capital" ("Kai Yuan Capital"). It is envisaged for Kai Yuan Capital to provide mainly short-term secured financing and mortgage loans in Hong Kong, whereby personal properties or other securities will be demanded as collaterals. With respect to the source of financing, the Group intends to apply part of the net proceeds from the disposal of the entire steel manufacturing and trading segment as start-up capital. As at the date of this report, the Group had not commenced any money lending business.

LOOKING AHEAD

The Board considers investing in hotels tends to be a relatively low risk investment, whilst offering stable revenue stream and considerable capital gain potential. The Board will continue to look into opportunities to enhance its portfolio of the hotel operation segment in Europe. The Group will also continue to explore investment opportunities and remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments with a view to enhancing and improving returns to our stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, total assets and net assets of the Group were approximately HK$6,327.5 million and HK$2,367.9 million respectively (31 December 2014: approximately HK$7,961.8 million and HK$3,058.6 million respectively). The cash and bank balance of the Group as at 31 December 2015 were approximately HK$333.1 million, and were denominated in Hong Kong dollars, Euro, United States dollars and Renminbi (31 December 2014: approximately HK$400.9 million). The total current assets of the Group as at 31 December 2015 were approximately HK$2,618.0 million (31 December 2014: approximately HK$600.8 million). As at 31 December 2015, the Group had net current assets of approximately HK$624.0 million (31 December 2014: net current liabilities approximately HK$84.1 million).

The Group adopted a conservative treasury approach and had tight controls over its cash management. As at 31 December 2015, the Group had outstanding bank loans and other borrowings amounted to approximately HK$3,447.5[1] million (31 December 2014: approximately HK$3,763.9 million), of which approximately HK$1,866.3 million (31 December 2014: approximately HK$130.4 million) were due within one year. As at 31 December 2015, the Group's gearing ratio (total borrowings/total assets) was at approximately 54.5% (31 December 2014: approximately 47.3%). The Group constantly monitors its cash flows position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

1 (i) Approximately HK$1,854.3 million (equivalent to US$239,265,600) at the interest rate of 4% per annum;
(ii) Approximately HK$1,444.2 million (equivalent to €175,000,000) at the interest rates of 3 months EURIBOR plus 2.2% per annum; and
(iii) Approximately HK$149.0 million at the interest rate of 1 month HIBOR plus 2.36% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITIONS AND DISPOSALS

On 27 May 2015, the Group entered into a sale and purchase agreement with a third party to dispose of the entire share capital of Spread International Group Limited ("Spread International"), an indirectly wholly-owned subsidiary of the Company, and shareholder loan (the "Spread International Disposal") at the consideration of HK$131.0 million. Spread International was the beneficial owner of 49% equity interests in Tianjin Heating Development Company Limited (天津市供熱發展有限公司), a company established in the PRC, which together with its subsidiaries and associated companies were principally engaged in the supply of heat energy in Tianjin, the PRC. The Spread International Disposal constituted a very substantial disposal of the Company, and a circular of the Spread International Disposal was published on 14 August 2015. The Spread International Disposal was completed in October 2015.

With reference to the announcement of the Company dated 7 January 2016, the Group entered into a sale and purchase agreement to dispose of the entire share capital of Fame Risen Development Limited ("Fame Risen"), an directly wholly-owned subsidiary of the Company, and shareholder loan (the "Fame Risen Disposal") at the consideration of approximately HK$2,383.1 million. Fame Risen is the foreign joint venture partner of three associates companies established in the PRC principally engaging in steel manufacturing and trading business in the PRC. The Fame Risen Disposal constituted a very substantial disposal of the Company, and a circular of the Fame Risen Disposal was published on 25 February 2016. An ordinary resolution was passed at the special general meeting of the Fame Risen Disposal on 14 March 2016.

FOREIGN EXCHANGE EXPOSURE

The Group had operations in the PRC, France, Luxembourg and Hong Kong where transactions and cash flows were denominated in the local currencies, including Renminbi, Euro and Hong Kong dollar. As a result, the Group was exposed to foreign currency exposures with respect to Euro which mainly occurred from conducting daily operations and financing activities by local offices where local currencies were different from the Group. For the year ended 31 December 2015, the Group had not entered into any forward contracts to hedge the foreign exchange exposure. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 31 December 2015, cash deposits amounting to approximately HK$20.1 million (31 December 2014: approximately HK$3.2 million) and certain buildings of the Group with a net carrying amount of approximately HK$3,325.7 million (31 December 2014: approximately HK$3,727.5 million) were pledged to secure general banking facilities and other loans granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 10 employees as at 31 December 2015 (31 December 2014: 173), the total employee remuneration during the Year were approximately HK$21.2 million (31 December 2014: approximately HK$31.6 million). Remuneration policies were reviewed regularly to ensure that compensation and benefit packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical insurance scheme and participation to stock option scheme.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Xue Jian

Mr. Xue Jian, aged 50, was appointed as a non-executive Director on 7 January 2009, and was re-designated as an executive Director on 6 January 2011. Mr. Xue also serves as director to a number of subsidiaries of the Company. Mr. Xue received his master's degree in business administration from Zhongnan University of Finance, Economics, Politics and Law. Mr. Xue has over two decades of experience in the steelmaking industry and in the commercial sector in the People's Republic of China (the "PRC"). He was the legal representative of Rizhao Steel Co., Ltd., and is a director of Rizhao Steel Holding Group Co., Ltd. The Rizhao Steel group of companies is one of the largest private steel makers in the PRC. Mr. Xue has also been appointed as the manager and legal representative of Jinghua Rigang Holding Group Co., Limited*. Apart from his engagement in the private sector, Mr. Xue is active in the pursuit for public causes, holding positions included the deputy director of Center for Studies on China's Circular Economy and Environment, and the senior consultant of China Health & Medical Development Foundation.

Mr. Law Wing Chi, Stephen

Mr. Law Wing Chi, Stephen, aged 44, was appointed as an executive Director on 18 May 2011, he has also been appointed as members of the remuneration committee and nomination committee of the Company as well as chief financial officer, existing process agent and company secretary of the Company. Mr. Law also serves as director, company secretary and legal representative to a number of Group companies. Mr. Law has extensive experience in financial management and professional accounting. Prior to joining the Company, Mr. Law was the chief financial officer of Diamondlite Group, one of the leading jewelry manufacturers in the PRC. Having started his career as a professional accountant in an international accountancy firm, Mr. Law has undertaken key financial management positions in companies engaged in a variety of industries. Mr. Law is an associate member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor of Arts Degree in Accountancy from the City University of Hong Kong.

NON-EXECUTIVE DIRECTOR

Mr. Hu Yishi (Chairman)

Mr. Hu Yishi, aged 40, was appointed as an executive Director and the Chairman of the Company on 17 April 2007 and was re-designated as a non-executive Director on 29 December 2010. Mr. Hu graduated from Shanghai International Tourism Vocational Technology School, he has extensive experience in China affairs and business. Mr. Hu is an executive director and executive chairman of Northern New Energy Holdings Limited (formerly known as Noble House (China) Holdings Limited) and is an executive director of Zhong Fa Zhan Holdings Limited (formerly known as Noble Jewelry Holdings Limited), the issued shares of both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Hu was previously an executive director of Softpower International Limited (formerly known as China Pipe Group Limited) and Up Energy Development Group Limited (formerly known as Sun Media Group Holdings Limited), the issued shares of both companies are listed on the Stock Exchange.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Sun Wing

Mr. Tam Sun Wing, aged 58, was appointed as an independent non-executive Director on 14 December 2001. He has also been appointed as chairman of the audit committee and the remuneration committee, and the member of the nomination committee of the Company. Mr. Tam is a professional accountant with more than 30 years of extensive audit and business advisory experience. Mr. Tam is practicing as a director of FTW & Partners CPA Limited. Mr. Tam is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong, he is also registered as a Certified Tax Advisor. Mr. Tam holds a Master Degree of Science in Corporate Governance and Directorship from the Hong Kong Baptist University.

Mr. Ng Ge Bun

Mr. Ng Ge Bun, aged 58, was appointed as an independent non-executive Director on 30 September 2004, he has also been appointed as member of the audit committee and the remuneration committee and chairman of the nomination committee of the Company. Mr. Ng holds the Degree in Bachelor of Science and Degree in Bachelor in Laws. He obtained a postgraduate certificate in laws from The University of Hong Kong. He is a solicitor of the High Court of Hong Kong and currently serves as a partner of Tang, Lai & Leung Solicitors.

Mr. He Yi

Mr. He Yi, aged 43, was appointed as an independent non-executive Director on 18 May 2011, he has also been appointed as member of the audit committee, the remuneration committee, and the nomination committee of the Company. Mr. He is the CEO of Shanghai YAOXIN Asset Investment and Management Limited. Prior to this, he was the General Manager of Barclays Bank Shanghai Branch and has extensive experience in the financial industry. Mr. He started his career with the Credit Agricole Indosuez in Shanghai and was the head of treasury department and financial institutions department of First Sino Bank, the head of global markets China and deputy general manager of the Shanghai branch of Australia and New Zealand Banking Group Limited. Mr. He is a member of the Chinese Institute of Certified Public Accountants and a certified economist accredited by The Ministry of Personnel of China. Mr. He also holds a postgraduate master degree of economics from the Fudan University, Shanghai, China.

CORPORATE GOVERNANCE REPORT

The Board and management of the Company are committed to maintaining high standards of corporate governance. Continuous efforts are made to review and enhance the Group's internal control policy and procedures in light of local and international developments to instill best practices.

The Board has set up procedures on corporate governance that comply with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") on corporate governance practices based on the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to Listing Rules.

The Company had complied with the code provisions of the CG Code throughout the year ended 31 December 2015 with the following deviation:

- A.4.1 Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's Bye-laws. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

- A.4.2 The Chairman is not, whilst holding such office, subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year in accordance with the Company's Bye-laws. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in this role and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

- E.1.2 The Chairman of the Board did not attend the annual general meeting held on 15 May 2015 due to the fact that he had other business commitments. Another executive Director, Mr. Law Wing Chi, Stephen was elected to chair the annual general meeting in accordance with the Company's Bye-Laws.

The Board will keep these matter under review.

Following sustained development and growth of the Company, we will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders of the Company.

The Company is still looking for a suitable candidate to fill the vacancy of the chief executive officer, further announcement will be made by the Company upon such appointment.

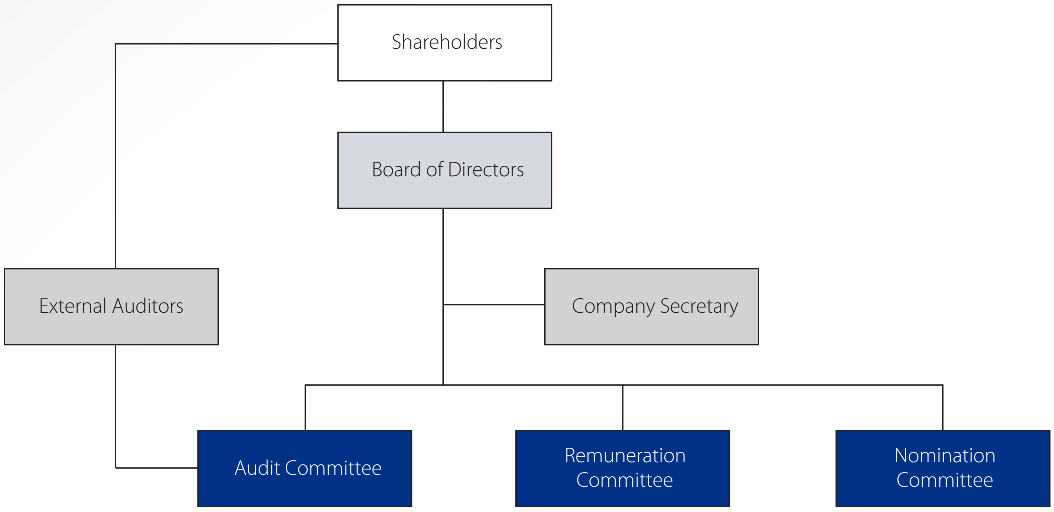
MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has confirmed with the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

CORPORATE GOVERNANCE REPORT

THE BOARD AND CORPORATE GOVERNANCE STRUCTURE

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The Directors are responsible for leadership and control of the Group. The overall corporate governance structure of the Company is depicted in the following chart:



BOARD

(A) BOARD COMPOSITION

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors, serving the important function of guiding the management.

The Board members during the year and up to the date of this annual report are as follows:-

Executive Directors
Mr. Xue Jian
Mr. Law Wing Chi, Stephen

Non-executive Director
Mr. Hu Yishi *(Chairman)*

Independent non-executive Directors
Mr. Tam Sun Wing
Mr. Ng Ge Bun
Mr. He Yi

There are no relationships (including financial, business, family or other material/relevant relationship) among the Directors. All Directors of the Company are not appointed for a specific term. Although all Directors of the Company are not appointed for a specific term, all Directors, except the Chairman, are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's Bye-laws.

(B) ROLE AND FUNCTION

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Board has the full support from senior management to discharge its responsibilities. Appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Company.

For the year ended 31 December 2015, the Board had held meetings and discussed following issues:

1. reviewed the internal control system and risk management of the Group;

2. discussed the annual results of the Group for the year ended 31 December 2014 and the interim results of the Group for the period ended 30 June 2015, respectively;

3. considered the recommendation of any final dividend for the year ended 31 December 2014 and the book close period, if any;

4. proposed re-election of Directors;

5. proposed the re-appointment of Ernst & Young as the auditors of the Company, and discussed the auditors remuneration for the annual audit;

6. reviewed the effects on the changes of the accounting standards and principles; and

7. proposed the general mandates to issue and repurchase shares of the Company.

(C) MEETING RECORDS

There were in total eleven Board meetings and general meetings held for the year ended 31 December 2015.

The following set out the attendance record of Board meetings and general meetings held during the year:

	Attendance for meetings for the year ended 31 December 2015	
Board members	**Board Meetings**	**General Meetings**
Mr. Hu Yishi	8/9	0/2
Mr. Xue Jian	7/9	0/2
Mr. Law Wing Chi, Stephen	8/9	2/2
Mr. Tam Sun Wing	8/9	0/2
Mr. Ng Ge Bun	8/9	2/2
Mr. He Yi	8/9	2/2

There were one general meeting and one special general meeting held for the year ended 31 December 2015.

(D) INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2015, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

(E) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the corporate governance policy and performing the corporate governance duties including the followings:

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

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

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

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

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

(F) DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are committed to participate in continuous professional development. The Directors are regularly briefed on amendments and updates on the relevant laws, rules and regulations.

The Company has arranged, and all Directors namely, Mr. Xue Jian, Mr. Law Wing Chi, Stephen, Mr. Hu Yishi, Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi have enrolled and attended relevant professional development courses to assist the Directors in discharging their duties. The Company has also arranged presentations to Directors that are conducted by external professional bodies in relation to updates and developments in the statutory and regulatory regime of the Group's business and the business environment.

(G) DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements of the Group, and to report on material uncertainties, if any, relating to events or conditions that may cost significant doubt upon the Group's ability to continue preparing the accounts on a going concern basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of the responsibilities between the Chairman and Chief Executive Officer is clearly established and set out in the Code of Corporate Governance of the Company. The Chairman provides leadership for the Board and the Chief Executive Officer has overall chief executive responsibility for the Group's business development and day-to-day management generally. During the year, Mr. Hu Yishi ("Mr. Hu") was the Chairman of the Company.

The Company is still looking for a suitable candidate to fill the vacancy of the chief executive officer, further announcement will be made by the Company upon such appointment. The responsibilities of chief executive officer has been shared by the executive Directors during the year.

NON-EXECUTIVE DIRECTOR

There is no specific length or proposed length of service in respect of Mr. Hu's appointment, as a non-executive Director and the Chairman of the Company. Whilst holding such office, Mr. Hu is not subject to retirement by rotation in accordance with the Company's Bye-Laws. Mr. Hu is entitled to a fixed director's fee of HK$200,000 per annum and emoluments to be determined with reference to the experience and duties of Mr. Hu and his role played in the Board and is subject to review by the Remuneration Committee of the Board.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Board Committee makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(A) AUDIT COMMITTEE

The Audit Committee was established on 14 December 2001. It currently consists of three independent non-executive Directors.

Composition of Audit Committee for the year ended 31 December 2015 is as follow:

Mr. Tam Sun Wing *(Chairman)*
Mr. Ng Ge Bun
Mr. He Yi

Role and function

The Audit Committee is mainly responsible for:

1. discussing with the external auditors before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;

2. reviewing the Company's interim and annual financial statements before submission to, and providing advice and comments thereon to the Board;

3. considering the appointment of external auditors and their audit fees;

4. discussing problems and reservations arising from the interim and final audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary); and

5. assessing the risk environment and review internal control procedure manual of the Group.

Meeting Record

The Audit Committee met four times during the year to discuss and approve the interim and annual results, and to review the internal control procedures of the Group.

The following set out the attendance record of Audit Committee meetings held for the year ended 31 December 2015:

Committee member	Attendance at meetings held for the year ended 31 December 2015
Mr. Tam Sun Wing	4/4
Mr. Ng Ge Bun	4/4
Mr. He Yi	4/4

During the meetings, the Audit Committee discussed the following matters:-

(1) Financial Reporting
The Audit Committee met with the external auditors to discuss the interim and annual financial statements and system of control of the Group. The auditors and the Chief Financial Officer were also in attendance to answer questions on the financial results.

Where there were questions on the financial statements and system of control of the Group reviewed by the Audit Committee, the management of the Company would provide breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied and make proper recommendation to the Board.

(2) External Auditors
The appointment of the external auditors and the audit fee were considered by the Audit Committee and recommendations were made to the Board on the selection of external auditors of the Company. The Audit Committee had also discussed on auditor's independence, objectivity and effectiveness of audit process.

(3) Internal Control
The sufficiency and efficiency of the internal control system and risk management.

(B) REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 March 2005. It currently consists of one executive Director and three independent non-executive Directors.

Composition of the Remuneration Committee for the year ended 31 December 2015:

Mr. Tam Sun Wing *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. Ng Ge Bun
Mr. He Yi

Role and function

The Remuneration Committee is mainly responsible for:

1. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;

2. making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

3. determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors;

4. considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

5. reviewing and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;

6. reviewing and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

7. reviewing and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

8. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

9. advising the shareholders on how to vote in respect of any service contract of Director which shall be subject to the approval of shareholders (in accordance with the provisions of Rule 13.68 of the Listing Rules).

Where circumstances are considered appropriate, some Remuneration Committee decisions are approved by way of written resolutions passed by all the committee members.

For the year ended 31 December 2015, three Remuneration Committee meetings were held and the attendance record is as follow:

Committee member	**Attendance at meetings held for the year ended 31 December 2015**
Mr. Tam Sun Wing	3/3
Mr. Law Wing Chi, Stephen	2/3
Mr. Ng Ge Bun	3/3
Mr. He Yi	3/3

During the meeting, the Remuneration Committee discussed the remuneration packages of Directors and senior management with reference to the prevailing market conditions. The Remuneration Committee had also discussed on remuneration policy and performance assessment for executive Directors.

(C) NOMINATION COMMITTEE

The Nomination Committee was established on 13 April 2007. It currently consists of one executive Director and three independent non-executive Directors.

Composition of the Nomination Committee for the year ended 31 December 2015:

Mr. Ng Ge Bun
Mr. Law Wing Chi, Stephen
Mr. Tam Sun Wing
Mr. He Yi

Role and function

The Nomination Committee's terms of reference includes those specific duties as set out in the code provision A.5 of the CG Code. Pursuant to its terms of reference, the Nomination Committee is required, amongst other things, to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. The Nomination Committee should meet at least once a year and when the need arises.

The Nomination Committee is responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of the directors. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

For the year ended 31 December 2015, two Nomination Committee meetings were held and the attendance record is as follow:

Committee member	Attendance at meeting held for the year ended 31 December 2015
Mr. Ng Gen Bun	2/2
Mr. Law Wing Chi, Stephen	2/2
Mr. Tam Sun Wing	2/2
Mr. He Yi	2/2

During the meeting, the Nomination Committee reviewed the composition of the Board, it had also discussed on policy for nomination of Directors.

SHAREHOLDERS' RIGHTS

It is the Company's responsibility to ensure shareholder's interest. To do so, the Company maintains on-going dialogue with shareholders to communicate with them and encourage their participation through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

Any registered shareholders are entitled to attend the annual and special general meetings, provided that their shares have been recorded in the Register of Shareholders.

Shareholders who are unable to attend a general meeting may complete and return to the Share Registrar the proxy form enclosed with the notice of meeting to give proxy to their representatives, another shareholder or Chairman of the meetings.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:

Hotline no. : (852) 2804-2221

By post : 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Shareholder(s) can by written requisition to the Board or the secretary of the Company to require a special general meeting be called by the Board for the transaction of any business specified in such requisition. To raise such requisition, the shareholder(s) must have held at the date of deposit of such requisition not less than one-tenth of the paid up capital of the Company carrying right to vote at general meetings of the Company (Bye-laws 58).

The meeting so requisitioned shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such requisition deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES FOR SHAREHOLDERS TO PUT ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

The Company Secretary

Kai Yuan Holdings Limited

28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Email : enquiry@kaiyuanholdings.com

Telephone No. : (852) 2804-2221

Facsimile No. : (852) 2723-8571

The company secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

According to the bye-laws of the Company, shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the company secretary of the Board of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda.

AUDITORS REMUNERATION

It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

Apart from the provision of annual audit services, the Group's external auditors also provided interim review of the Group's results, taxation advisory services and other professional services to the Group.

For the year ended 31 December 2015, Ernst & Young, the external auditors provided following services to the Group:

	Ernst & Young
	HK$'000
Audit services	3,500
Taxation services	49
Professional services	1,500

INTERNAL CONTROL

The Audit Committee assisted the Board to perform its duties to maintain an effective and sound internal control system for the Group. The committee reviewed the Group's procedures and workflow for the financial, operational and compliance, and also the risk assessment and its initiatives for business risks management and control. Recommendations will also put forward to the Board for consideration and approval.

COMPANY SECRETARY

Mr. Law Wing Chi, Stephen, the company secretary for the year ended 31 December 2015, was a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Board Chairman and has taken no less than 15 hours of relevant professional training.

INVESTOR RELATIONS

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the Company's website. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans. Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication.

For the year ended 31 December 2015, the following shareholder meetings were held by the Company:

Date	Venue	Type of Meeting	Particulars	Voting at the Meeting
15 May 2015	Empire Room I, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong	Annual General Meeting	1. To adopt the audited financial statements for the year ended 31 December 2014 and the reports of the Directors and auditors 2. To re-elect Directors and to authorise the Board to fix their remuneration 3. To re-appoint Ernst & Young as the auditors and authorise the Board to determine their remuneration 4. To approve the general mandates to issue and repurchase shares of the Company	By poll
31 August 2015	Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong	Special General Meeting	To consider the disposal of the entire share capital of Spread International Group Limited and shareholders' loan due.	By poll

FINANCIAL CALENDAR FOR 2016

Event	Proposed Date
Annual General Meeting	Around May 2016
Announcement of 2016 interim results	Late August 2016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Kai Yuan Holdings Limited (the "Company" together with its subsidiaries (the "Group")) believes that sustainable development is an integral part of our business. We strive to be a good corporate citizen by carrying out our business in a socially responsible way. We aim at creating long-term values for our stakeholders and contributing to make the world a better place.

This is the first Environmental, Social and Governance ("ESG") Report of the Company which outlines our approaches, commitments and strategies to sustainable development and highlights our performances in material areas in which the Company considered critical by taking reference from the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for disclosures.

This report covers the reporting period from 1 January 2015 to 31 December 2015 (the "Reporting Period") which is the same period covered in the annual report of the Company. The Group currently owns and operates two hotels, which are Paris Marriott Champs-Elysees Hotel (the "Paris Marriott Hotel") in Paris, France and Butterfly on Waterfront Sheung Wan (the "Butterfly on Waterfront") in Hong Kong (collectively, the "Hotels"). They together constitute the hotel operation segment and represent principal revenue source of the Group. In the following sections, selected key performance indexes and core operating practices underpinning sustainability employed by the Group for the hotel operation segment will be reported.

We welcome feedback and comments on to this report and our sustainability performance. Please feel free to provide your comments by email to enquiry@kaiyuanholdings.com.

Stakeholders Engagement

The Group would not be successful without support from our stakeholders. We strive to maintain open communication with our stakeholders making use of all sorts of opportunities. The Group has various communication platforms to engage and interact with a range of stakeholders to identify ESG issues that are of importance and of concern to our business. We believe that through continuous stakeholders engagement, mutual trust and respect between the Group and stakeholders can be strengthened to enhance sustainability performance of our businesses.

Environmental Protection

The Group is committed to operating our businesses in an environmentally responsible manner. We are aware of global climatic change and are dedicated to safeguard our Earth. Working closely with both Paris Marriott Hotel and Butterfly on Waterfront, we place great forces on responsible hospitality management with a mission to mitigate negative impacts on the environment in our day-to-day business activities by integrating sustainability in operational policies and management strategies.

Energy Management

By conserving energy and using it more efficiently, we will result in lesser pollution and reduce pressure on an already overstressed environment. Measurement of carbon emission and key energy consumption data[1] will provide us with a basis for future comparison and improvement in support of a low carbon economy. In 2015, our Hotels reported consumption of the sum of 5,505,449 kWh of electricity and 1,074 GJ of gas respectively, which were equivalent to 2,021 tonnes of CO_2 emissions (Greenhouse gas emissions scope 1 and scope 2).

[1] Energy included electricity and gas.

Below is a summary of both specific and common key energy-saving measures implemented by our respective Hotels in support of a low carbon economy:

Paris Marriott Hotel

- installation of motion detector in public area restroom and meeting rooms
- installation of LED lighting at back offices and LED motion sensor lighting in parking staircase
- adoption of programmable thermostats in guest rooms and meeting facilities
- installation of window sensor in all guest rooms to switch off air-conditioning system when windows are open
- regular review on environmental policy

Butterfly on Waterfront

- 30% of guest rooms being installed with LED lighting
- closing of curtain to blockout sunlight after room makeup
- setting different water heater set-point temperatures according to outside temperature ranges
- ensuring unnecessary lighting and air-conditioning are turned off
- daily monitoring of energy consumption with regular review on energy costs to avoid irregular usage

Common measures

- educating and inspiring associates and guests to conserve and preserve
- setting and maintaining standard indoor temperature

Green Key

Paris Marriott Hotel has been certified by a globally recognised sustainable certification program – Green Key, a leading standard of excellence in the field of environmental responsibility and sustainable operation in tourism industry – in recognition of its efforts in green operation.

Energy Efficiency Enhancement

To identify refined cost-effective energy management opportunities, Butterfly on Waterfront has enrolled in energy audit service provided by The Hong Kong Electric Co., Ltd to identify energy saving the potentials for improving energy efficiency at the property in near future.

Water Management

Water is one of our core essentials and basic necessities. According to World Wildlife Fund (WWF), only 3% of water on the planet is fresh water, of which merely about 1% is readily available for human use. For this reason, the Group is committed to upholding the best practices on water management throughout our operations.

In 2015, our Hotels consumed a total of 32,759 m^3 of water.

Below are the highlights of specific water-saving initiatives of our respective Hotels for water efficiency enhancement:

Paris Marriott Hotel

- adoption of low-flow water faucets in 80% of the guest rooms and common areas
- introduction of low-flow showerheads and tap aerators in all guest bathrooms
- installation of water-efficient commercial dishwasher and washing machines
- installation of low-flow pre-risen spray valves in kitchen
- encouraging guests to reuse linen and towel

Butterfly on Waterfront

- encouraging guests to save water and reuse linen and towel during their stay
- introduction of water saving tips to staff and housekeeping service contractors to raise their awareness of water conservation
- close monitoring on general water consumption pattern to prevent unnecessary increase in water usage

The Group recognises that waste management is one of the global issue concerning environmental, social and health impacts on the local communities in which we operate. Therefore, we focus on improvement of waste management to reduce the quantity of waste disposal sent to landfills or incinerators.

In 2015, our Hotels generated a total of 812 tonnes of waste.

Paris Marriott Hotel strives to reduce waste and donate the unwanted items to the needy wherever possible. The hotel works collaboratively with different waste recycling partners to trim down the tonnage that must be transported to landfills or incinerators. The hotel has also initiated an organic waste recycling project with a bio-waste partner to turn waste into compost and biogas. The hotel also has measures in place to recycle used oil, lamps, batteries, metal, plastic, glass and paper through working with different recycling companies to alleviate the stress to the environment.

For the Butterfly on Waterfront, the hotel embraces green culture in support of 3Rs – Reduce, Reuse and Recycle at workplace. We encourage recycle of resources and donation of unwanted items to charitable organizations. By doing so, not only can waste be diverted, people in need can also be aided.

Operating Practices

We believe that sound internal control, risk management and compliance systems are foundation for embracing good corporate governance. The Group is committed to upholding high standards of business integrity, honesty, ethics and transparency in our operations.

Supply Chain Management

The Group understands that building a sustainable supply chain network involves participation and developing close and long-term working relationships with our business partners. We believe that open communication channels play a vital role in building trust and confidence between our Hotels and suppliers. Our Hotels manage supply chain in a manner that is consistent with the Group's approach to sustainability.

Paris Marriott Hotel expects suppliers to operate in full compliance with all applicable environmental laws, ordinances and regulations, to reduce ecological impacts as well as resource consumption and to continually advance the sustainability of the products and services. Furthermore, the hotel strictly adheres to the Marriott International Global Procurement Supplier Conduct Guidelines which govern the conduct of Marriott staff in procurement process and outline the standards and obligations that a vendor is expected to fulfill. These include but do not limit to: (i) being accurate, honest, and fair; (ii) forbidding the giving or promising anything of value to a government official or employee to influence that person in his or her official duties or to encourage unlawful conduct; (iii) provision of a fair and safe workplace; and (iv) focus on commitment to diversity, social responsibility, and community engagement for the greater good of the community in support of human rights while against child and forced labour.

Butterfly on Waterfront actively seeks to work with business partners, including suppliers and contractors, who incorporate the concept of sustainability into their business practices. The supplier code of conduct in place sets out the requirements for regulatory compliance, i.e. labor practices, environmental measures, occupational safety & health, anti-corruption etc. Supplier compliance is assessed in accordance with the Supplier Code of Conduct and relevant standards prior to cooperation with suppliers. Spot checks are also conducted on delivered goods and services on-site are performed at irregular intervals. In 2015, the hotel has 104 business partners, which are all based in Hong Kong.

Service Quality

The Group believes that exceptional hotel experience are the core elements to maintain long-term relationship with customers. Our Hotels are unswervingly devoted to provide services and products of impeccable quality. With the belief that people are the key to success, hotel employees are regularly trained with respective rules and standards on quality services. Both Hotels have in place their respective "Quality Assurance Program" to enhance guests satisfaction and loyalty, and also standard procedures for handling guest complaints and other incidents timely, attentively and diligently.

Paris Marriott Hotel is classified and recognised as a five-star hotel by the République Française (French Republic) honuring its outstanding service standards. In an attempt to gain better understanding of customer's experiences, Paris Marriott Hotel adopts a newly developed guest feedback program – Guest Voice. A guest satisfaction system which integrates a shorter, simpler guest satisfaction survey with social media (reviews, posts, tweets, etc.) into a single user dashboard, enabling the hotel to take action on issues and concerns and facilitate a more timely response.

For Butterfly on Waterfront, it will continue to explore innovative communication channels to interact with hotel guests. The hotel regards guest feedback as the foundation for betterment of guest experience. Guest comments collected from different communication channels are duly followed up on a daily basis. The hotel also promotes open decision-making among staff members to identify the most effective way to operate the hotel.

Rescue of the Endangered Species

In protection of endangered species and the sustainable growth of marine ecosystem, Paris Marriott Hotel has followed Marriott Group's move in removing shark fin from menus since late 2011. The high-end yet sustainable dining alternatives created by the culinary team have contributed greatly to the reduction in demand for shark fin dishes.

Anti-Corruption

It is of paramount importance that businesses are conducted in accordance with applicable rules, regulations and social standards. The virtue of integrity, honesty and fairness have been given the highest priorities. No such rules, regulations or standards should be traded in exchange for business benefits.

All hotel employees are required to stringently abide by respective anti-corruption guidelines and policies of the Hotels where bribery in any form is prohibited. In cases when breaching of anti-corruption guidelines are spotted, disciplinary actions including immediate termination of employment and involvement of local authorities would be taken. Hotel managers will also provide trainings to hotel employees on issue of corruption on a regular basis.

During the Reporting Period, no legal case was filed against the Hotels or their employees with regard to corruption issues.

Conclusion

The Group will regularly review the operation and management policies, systems and standards with our Hotels with a view to enhancing our operation efficiency and service qualities. Looking forward, the Group will continue to act responsibly in our endeavour to attain business growth while carefully managing our ecological footprints in pursuit of a better and sustainable future.

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the hotel operation. The principal activities and other particulars of subsidiaries of the Group are set out in note 1 to the financial statements.

On 27 May 2015, the Group entered into an agreement to dispose of the entire share capital of Spread International Group Limited, an indirect wholly-owned subsidiary of the Company, together with its subsidiaries and associated companies (the "Tianjin Target Group"). The Tianjin Target Group was principally engaged in the supply of heat energy in Tianjin, the PRC.

On 4 January 2016, the Group entered into an agreement to dispose of the entire share capital of Fame Risen Development Limited, together with its associated companies (the "Rizhao Target Group"). The Rizhao Target Group was principally engaged in steel manufacturing and trading in the PRC.

Other than these developments, there were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Please refer to the Management Discussion and Analysis of this report for further details on review of the Group's business and particulars of important events affecting the Group during the Year, together with future development of the Group.

Principal Risks and Uncertainties

The following are the principal risks and uncertainties facing by the Group's hotel operation segment and money lending business segment as determined by the Board. The content below is not intended to be an exhaustive list of all the risks and uncertainties that may arise.

Hotel Operation

(i) Operational risks

Notwithstanding the active monitoring and supervision of performance of the hotels by the Group, daily operations of the Group's hotels are delegated to respective hotel managers, pursuant to hotel management agreements signed with third-party hotel managers. Dependent on the ability of hotel managers, the failure of hotel managers to manage the hotels in an efficient and effective manner could have a material adverse effect on financial results of the Group.

Furthermore, if any of the hotel management agreements are terminated prior to its expiration, we may experience disruptions to our operations, then to seek for replacement of the hotel manager.

Finally, the Group's hotels are operated under brand names of respective hotel managers. As a result, the continuation on generation of revenues from the Group's hotels relied on success of the hotel managers in maintaining reputation and enhancing the recognition of their brands.

(ii) Competition

The Group owns hotels in France and Hong Kong in which the hospitality industry is highly competitive due to ongoing supply of new hotels and renovation of existing hotel properties. The intensity of competition is affected by a range of factors including political stability of countries where the hotels are located, regional and global economic conditions, convenience of location, interior design and amenities offered, and travel pattern of customers. The Group is committed to offer the best of our services and hotel experience for our guests.

(iii) Economic and market risks

The Group's business is exposed to risks of unfavourable movements in the global and regional economies and financial markets, in particular to the markets where our hotels are located. Change in economic conditions would lead to recession, inflation, deflation, currency fluctuations, availability of financing, interest rates and other factors that are beyond control of the Group. Occurrence of any of the above may reduce revenue, increase operating costs and lower asset value of the Group.

(iv) Terrorism, diseases and natural disasters

The Group's business could be adversely impacted by acts of God, wars, terrorist attacks, riots, diseases and other events beyond our control. The Group cannot predict the occurrence of these events. An increased threat of terrorism would affect travel patterns and reduce the number of travellers of different categories. All of the above events would eventually adversely affect the business and financial performance of our hotels.

(v) Indebtedness and interests rates

The Group maintains certain level of indebtedness to partly finance the hotel property investments. The indebtedness level could increase the vulnerability of the Group to adverse general economic or industry conditions and restrict the Group from making strategic acquisitions or taking advantage of business opportunities. Hence, increase in interest rates could materially and adversely affect the results of the Group.

(vi) Foreign exchange fluctuations

The Group has hotel operation in France and Hong Kong in which revenue and expenses are denominated mainly in Euro, United State dollar and Hong Kong dollar. Therefore, the Group's financial results are exposed to foreign exchange risk as the result of fluctuation in currency exchange rates.

(vii) Information technology systems

The Group is dependent on information technology systems provided by the hotel managers and by other third-party to monitor and operate the day-to-day operations of the hotels. These systems include booking, check-in/check-out, management of rooms and collection of payment etc. Any disruption of these systems could result in the hotels failure to operate. Furthermore, operations of the above systems are also subject to information security and cyber threats. The Group together with the hotel managers will consistently review, maintain or upgrade these information technology systems when required to minimize system down-time and defend against cyber threats.

Money Lending

The Group intends to carry out money lending business in Hong Kong and develop it as a new business segment. Since the Group has no experience in engaging money lending business, the success of this new business depends on a number of factors, including the state of overall economic climate in Hong Kong. Therefore, the Board is uncertain that it will be successful in generating sufficient revenue to make this business profitable.

Environmental Policies

We are attentive to consumption of natural resources and reduction of pollution during the course of managing our businesses. It is our goal to minimize our environmental impacts through recycling of materials, encouragement of resources savings and reduce wastes. The Group is committed to ensure our compliance with relevant environmental protection laws and regulations, we also require our business partners to comply with relevant environmental protection laws and regulations. For further details on performance of the Group on environmental aspects during the Year, please refer to our Environmental, Social and Governance Report at pages 23 to 27.

Compliance with Laws and Regulations

The Group requires operations of the Company and its subsidiaries to comply with the relevant laws and regulations in the territories in which we operate. During the Year, the Board was not informed of any events on violation with laws and regulations.

Key Relationships with Employees, Customers and Suppliers

The Group has in place remuneration policies to ensure providing adequate rewards to employees with recognised experience for the assigned roles and duties. The Group also provides other benefits including bonuses, mandatory provident fund scheme, medical insurance scheme and participation to stock option scheme.

The Group places high priority on maintaining good relationship with our customers. We have in place a mechanism to keep track on customers' feedback and identify areas for improvement. Customer's complaints once acknowledged and reported will be dealt with timely, fairly and diligently.

To ensure efficient delivery of quality products and services to our customers, the Group recognises the importance of maintaining close and long-term relationship with suppliers. The Group will ensure fairness when conducting procurement activities and a consistent balance on qualities of goods and services against value-for-money.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group and the Company at that date are set out in the audited financial statement pages 37 to 121.

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate is set out on page 122. This summary does not form part of the audited financial statement.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the audited 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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 48 to the audited financial statement and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company does not have any distributable reserves.

CHARITABLE CONTRIBUTIONS

During the Year, no charitable donation was made (2014: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year from continuing operations, sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for 41% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 18%.

During the Year from discontinued operations, sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 75%.

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 five largest customers.

DIRECTORS

The Directors during the Year were:

Executive Directors:
Mr. Xue Jian
Mr. Law Wing Chi, Stephen

Non-executive Director:
Mr. Hu Yishi *(Chairman)*

Independent non-executive Directors:
Mr. Tam Sun Wing
Mr. Ng Ge Bun
Mr. He Yi

The Directors, save and except for the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with clauses 87(1) and 87(2) of the Company's Bye-laws.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to the guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHIES DETAILS OF DIRECTORS

Biographical details of the Directors of the Company are set out on pages 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTOR'S REMUNERATION

Subject to shareholders' approval at annual general meetings authorising the Board, remuneration of Directors are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY PROVISION

During the Year, no permitted indemnity provision as defined in the Hong Kong Companies Ordinance, is or was in force for the benefit of one or more directors of the Company.

The Company has arranged for insurance cover on Directors' and officers' liabilities to provide appropriate cover for legal actions brought against its Directors and officers arising out of corporate activities of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

The Company had not entered into any contracts for the management and administration of the whole or any substantial part of any business during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of each Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, were as follows:

Long position – ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of shares held	Percentage of issued share capital
Mr. Hu Yishi	Beneficial interest	1,300,000,000	10.17%

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section titled "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and in the section "Share option scheme" below, 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 Director or their respective spouses or minor children, or were any such rights exercised by them; or was the 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 33 to the audited financial statements.

CONTRACT OF SIGNIFICANCE

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

PERSONS HOLDING 5% OR MORE INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of ordinary shares held	Percentage of issued share capital
Mr. Du Shuang Hua	Interest of controlled corporation	708,000,000	5.54%
Happy Sino International Limited [1]	Beneficial interest	708,000,000	5.54%
Mr. Zhang He Yi	Beneficial interest	1,400,000,000	10.96%
Ms. Lu Xiao Mei	Interest of controlled corporation	753,190,000	5.89%
Sincere Profit Group Limited [2]	Beneficial interest	753,190,000	5.89%
Ga Leung Investment Company Limited [3]	Beneficial Interest	1,866,666,666	14.61%
Mr. Sun Yong Feng	Interest of controlled corporation	1,866,666,666	14.61%
	Beneficial Interest	133,000,000	1.04%
Ms. Meng Ya [4]	Interest of spouse	1,999,666,666	15.65%

1. Mr. Du Shuang Hua and Mr. Zhang He Yi beneficially owns 85% and 15% interest respectively in the issued share capital of Happy Sino International Limited. Mr. Du Shuang Hua is deemed to be interested in the 708,000,000 shares held by Happy Sino International Limited under the provisions of the SFO.

2. Ms. Lu Xiao Mei beneficially owns 100% interest in the issued share capital of Sincere Profit Group Limited. Ms. Lu Xiao Mei is deemed to be interested in the 753,190,000 shares held by Sincere Profit Group Limited under the provisions of the SFO.

3. Mr. Sun Yong Feng beneficially owns 100% interest in the issued capital of Ga Leung Investment Company Limited.

4. Ms. Meng Ya is the spouse of Mr. Sun Yong Feng. Ms. Meng Ya is deemed to be interested in the 1,999,666,666 shares in which Mr. Sun Yong Feng is interested.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors and chief executive of the Company, whose interests or short positions are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered any 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.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 22 of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements of the Listing Rules. The related party transactions as disclosed in note 42 to the audited financial statements did not fall under the definition of connected transactions or continuing connected transactions in the Listing Rules. The Company confirms that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float throughout the year ended 31 December 2015.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 46 to the audited financial statements.

EMOLUMENT POLICY

Emolument policy on the remuneration of the Directors and the employees of the Group is reviewed periodically and determined by reference to market terms, Company performance and individual qualifications and performance.

AUDITORS

The financial statements have been audited by Ernst & Young ("EY"). EY shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Law Wing Chi, Stephen
29 March 2016

INDEPENDENT AUDITORS' REPORT

To the shareholders of Kai Yuan Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kai Yuan Holdings Limited (the "Company") and its subsidiaries set out on pages 37 to 121, which comprise the consolidated statement of financial position as at 31 December 2015, 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 the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**329,737**	88,688
Cost of sales		**(219,337)**	(61,115)
Gross profit		**110,400**	27,573
Other income and gains	5	**6,291**	3,106
Other expenses	6	**–**	(64,998)
Administrative expenses		**(55,697)**	(212,701)
Finance costs	7	**(120,856)**	(34,642)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	8	**(59,862)**	(281,662)
Income tax (expense)/credit	10	**(12,658)**	41,785
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(72,520)**	(239,877)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	**28,461**	345,458
(LOSS)/PROFIT FOR THE YEAR		**(44,059)**	105,581
Attributable to:			
Owners of the Company		**(20,343)**	106,417
Non-controlling interests		**(23,716)**	(836)
		(44,059)	105,581
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted			
– For (loss)/profit for the year		**(HK0.16 cents)**	HK0.83 cents
– For loss from continuing operations		**(HK0.57 cents)**	(HK1.88 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
(LOSS)/PROFIT FOR THE YEAR		**(44,059)**	105,581
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	28	**(13,117)**	(25,479)
Reclassification adjustments for loss included in the consolidated statement of profit or loss	28	**7,648**	1,239
Income tax effect	31	**1,823**	8,080
		(3,646)	(16,160)
Exchange differences on translation of foreign operations		**(350,295)**	(47,883)
Reclassification of translation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of subsidiaries	11	**(22,146)**	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(376,087)**	(64,043)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(376,087)**	(64,043)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(420,146)**	41,538
Attributable to:			
Owners of the Company		**(385,669)**	43,418
Non-controlling interests		**(34,477)**	(1,880)
		(420,146)	41,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,378,476**	4,489,893
Prepaid land lease payments	15	**–**	35,686
Goodwill	16	**292,060**	329,917
Other intangible assets	17	**327**	85,603
Investments in associates	18	**–**	2,357,666
Available-for-sale investments	19	**–**	5,895
Deferred tax assets	31	**38,708**	53,292
Other long-term assets	20	**–**	3,046
Total non-current assets		**3,709,571**	7,360,998
CURRENT ASSETS			
Inventories	21	**1,297**	9,402
Trade receivables	22	**10,954**	22,512
Other receivables and prepayments	23	**15,447**	27,147
Prepaid land lease payments	15	**–**	3,370
Other long-term assets-current portion	20	**–**	812
Amounts due from related companies	24	**–**	133,518
Pledged deposits	25	**20,080**	3,169
Cash and cash equivalents	25	**329,389**	400,897
		377,167	600,827
Assets of a disposal company classified as held for sale	11	**2,240,807**	–
Total current assets		**2,617,974**	600,827
Total assets		**6,327,545**	7,961,825
CURRENT LIABILITIES			
Trade and bills payables	26	**14,104**	46,183
Other payables and accruals	27	**32,582**	221,367
Receipt in advance		**276**	138,239
Derivative financial instruments	28	**8,312**	6,224
Interest-bearing bank borrowings	29	**12,000**	12,000
Amounts due to related companies	24	**20,537**	96,478
Loan from a related company	30	**1,854,308**	118,365
Tax payable		**5,948**	46,049
		1,948,067	684,905
Liabilities of a disposal company classified as held for sale	11	**45,885**	–
Total current liabilities		**1,993,952**	684,905
NET CURRENT ASSETS/(LIABILITIES)		**624,022**	(84,078)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,333,593**	7,276,920

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,333,593**	7,276,920
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**1,581,201**	1,779,245
Loans from a related company	30	**–**	1,854,308
Deferred tax liabilities	31	**365,905**	566,710
Derivative financial instruments	28	**18,603**	18,016
Total non-current liabilities		**1,965,709**	4,218,279
Net assets		**2,367,884**	3,058,641
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**1,277,888**	1,277,888
Reserves	34	**1,089,996**	1,475,665
		2,367,884	2,753,553
Non-controlling interests		**–**	305,088
Total equity		**2,367,884**	3,058,641

Approved on behalf of the board of directors:

Xue Jian
Director

Law Wing Chi, Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium* HK$'000	Hedging reserve* HK$'000	Translation reserve* HK$'000	Retained profits* HK$'000	Other reserve* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	1,277,888	1,027,637	–	380,341	11,219	13,050	2,710,135	306,968	3,017,103
Profit/(loss) for the year	–	–	–	–	106,417	–	106,417	(836)	105,581
Other comprehensive loss for the year:									
Cash flow hedges, net of tax	–	–	(16,160)	–	–	–	(16,160)	–	(16,160)
Exchange differences on translation of foreign operations	–	–	–	(46,839)	–	–	(46,839)	(1,044)	(47,883)
Total comprehensive income for the year	–	–	(16,160)	(46,839)	106,417	–	43,418	(1,880)	41,538
At 31 December 2014	1,277,888	1,027,637	(16,160)	333,502	117,636	13,050	2,753,553	305,088	3,058,641
At 1 January 2015	**1,277,888**	**1,027,637**	**(16,160)**	**333,502**	**117,636**	**13,050**	**2,753,553**	**305,088**	**3,058,641**
Loss for the year	**–**	**–**	**–**	**–**	**(20,343)**	**–**	**(20,343)**	**(23,716)**	**(44,059)**
Other comprehensive loss for the year:									
Cash flow hedges, net of tax	**–**	**–**	**(3,646)**	**–**	**–**	**–**	**(3,646)**	**–**	**(3,646)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(339,534)**	**–**	**–**	**(339,534)**	**(10,761)**	**(350,295)**
Reclassification of translation reserve from other comprehensive loss to the consolidated statement of profit or loss upon disposal of subsidiaries	**–**	**–**	**–**	**(22,146)**	**–**	**–**	**(22,146)**	**–**	**(22,146)**
Total comprehensive income for the year	**–**	**–**	**(3,646)**	**(361,680)**	**(20,343)**	**–**	**(385,669)**	**(34,477)**	**(420,146)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(270,611)**	**(270,611)**
At 31 December 2015	**1,277,888**	**1,027,637**	**(19,806)**	**(28,178)**	**97,293**	**13,050**	**2,367,884**	**–**	**2,367,884**

* These reserve accounts comprise the consolidated reserves of HK$1,089,996,000 (2014: HK$1,475,665,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax:			
From continuing operations		**(59,862)**	(281,662)
From discontinued operations	11	**22,958**	368,707
Adjustments for:			
Finance costs	7, 11	**121,001**	34,753
Foreign exchange loss		**–**	51,213
Share of losses/(profits) of associates	11	**8,754**	(373,156)
Loss on disposal of items of property, plant and equipment		**94**	30
Gain on disposal of subsidiaries	11	**(58,772)**	–
Reclassification of translation reserve from other comprehensive income to statement of profit or loss upon disposal of subsidiaries	11	**(22,146)**	–
(Reversal)/recognition of impairment of other receivables	23	**(3,030)**	3,133
Depreciation	14	**98,424**	66,622
Recognition of prepaid land lease payments	15	**2,770**	3,355
Recognition of other long-term assets	20	**668**	809
Amortisation of other intangible assets	17	**6,162**	7,391
		117,021	(118,805)
Decrease/(increase) in inventories		**4,079**	(2,329)
Decrease in trade receivables		**10,829**	3,544
Increase in other receivables and prepayments		**(2,232)**	(4,142)
Increase/(decrease) in trade payables		**7,889**	(31,589)
Decrease in pledged bank deposits		**3,169**	7,197
Increase in other payables and accruals		**3,423**	15,801
Decrease in an amount due from a related company		**–**	15,465
(Decrease)/increase in receipt in advance		**(9,607)**	8,730
(Decrease)/increase in amount due to a related company		**(31,088)**	31,088
Cash generated from/(used in) operations		**103,483**	(75,040)
Luxembourg profit tax paid		**–**	(241)
France profit tax paid		**(110)**	(31)
Net cash flows generated from/(used in) operating activities		**103,373**	(75,312)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Net cash flows generated from/(used in) operating activities		**103,373**	(75,312)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits for proposed investment		**(50,019)**	–
Increase in other payables and accruals		**–**	6,871
Purchases of items of property, plant and equipment	14	**(17,967)**	(53,071)
Acquisition of subsidiaries	35	**–**	(3,299,093)
Disposal of items of property, plant and equipment		**–**	117
Net proceeds from disposal of subsidiaries	36	**83,273**	–
Net cash flows generated from/(used in) investing activities		**15,287**	(3,345,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase in amounts due to related companies		**(1,249)**	1,120
Increase in amounts due from related companies		**–**	(4,607)
Decrease in other payables and accruals		**–**	(10,092)
Increase in pledged time deposits		**(20,080)**	–
New bank loans		**–**	1,861,475
Loans from a related company		**–**	1,854,308
Repayment of bank loans		**(12,000)**	(15,313)
Interest paid		**(117,404)**	(4,972)
Net cash flows (used in)/generated from financing activities		**(150,733)**	3,681,919
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(32,073)**	261,431
Cash and cash equivalents at beginning of year	25	**400,897**	196,774
Effect of foreign exchange rate changes, net		**(37,726)**	(57,308)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**331,098**	400,897
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**329,389**	400,897
Cash and bank balances attributable to a discontinued operation	11	**1,709**	–
Cash and cash equivalents as stated in the statement of cash flows		**331,098**	400,897

1. CORPORATE AND GROUP INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and the principal place of business is 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding, including material investments in associates engaged in steel and steel products manufacturing and trading. Its subsidiaries are principally engaged in hotel operation.

Particulars of the Company's subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Legal form of business	Place of incorporation or registration/place of operation	Nominal value of issued and fully paid-up share/registered capital	Percentage of issued share/registered capital attributable to the Company		Principal activities
				Direct %	Indirect %	
Crown Value Limited ("Crown Value")	Corporation	Hong Kong	HK$1	100	–	Investment holding
Splendid Holdings S.à r.l. (ii)	Corporation	Luxembourg	EUR20,000	–	100	Investment holding
MCE OpCo HoldCo (i, ii)	Corporation	France	EUR6,973,155	–	100	Investment holding
MCE OpCo (i, ii)	Corporation	France	EUR8,835,915	–	100	Hotel operation
Splendid PropCo (ii)	Corporation	France	EUR44,000,010	–	100	Owner of hotel property
Leading Prospect Limited (iii)	Corporation	British Virgin Islands	US$100	100	–	Investment holding
A6 Limited	Corporation	Hong Kong	HK$10,000	–	100	Owner of hotel property
Hotel de EDGE Limited	Corporation	Hong Kong	HK$100	–	100	Hotel operation
Hotel de EDGE Management Limited	Corporation	Hong Kong	HK$100	–	100	Hotel licence owner
Global Strategy International Limited (iii)	Corporation	British Virgin Islands	US$100	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Name of subsidiary	Legal form of business	Place of incorporation or registration/place of operation	Nominal value of issued and fully paid-up share/registered capital	Percentage of issued share/registered capital attributable to the Company Direct %	Indirect %	Principal activities
Kai Yuan Capital Limited	Corporation	Hong Kong	HK$10,000	–	100	Money lending
Fame Risen Development Limited ("Fame Risen") (iv)	Corporation	Hong Kong	HK$20,000,000	100	–	Steel manufacturing and trading
Universal Yield Investments Limited (iii)	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Deluxe (China) Limited	Corporation	Hong Kong	HK$1	–	100	Investment holding
Shanghai Mianwang Investment Consulting Co., Ltd. (上海綿旺投資咨詢有限公司) (i)	Wholly-owned foreign enterprise	The PRC/Mainland China	US$3,000,000	–	100	Investment holding
Ever Profit Management Limited	Corporation	Hong Kong	HK$1,000,000	100	–	Service provision
Charter Best Investments Limited (iii)	Corporation	British Virgin Islands	US$1	100	–	Investment holding
ECFlyer.com Limited	Corporation	Hong Kong	HK$2	–	100	Investment holding
Time Park Limited	Corporation	Hong Kong	HK$100	–	100	Investment holding
Eland Success Limited (iii)	Corporation	British Virgin Islands	US$1	100	–	Investment holding

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

(ii) The Company acquired a hotel in France from third party in 2014. For this acquisition, the Company acquired MCE OpCo HoldCo and MCE OpCo and established Splendid Holdings S.à r.l. and Splendid PropCo to hold the hotel property. Further details of this acquisition are included in note 35 to the financial statements.

(iii) No audited financial statements have been prepared for these entities for the year ended 31 December 2015, as these entities were not subject to any statutory audit requirement under relevant rules and regulations in their jurisdiction of incorporation.

(iv) As at 31 December 2015, Fame Risen was classified as a disposal group held for sale and as a discontinued operation. More details are given in note 11(b).

2.1 BASIS OF PREPARATION

These financial statements 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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. A disposed company held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group 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 described in the accounting policy for subsidiaries below. 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 required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19	*Defined Benefit Plans:Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	
Annual Improvements to HKFRSs 2011-2013 Cycle	

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap.622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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

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

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 is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model to account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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 a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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.

The Group's investments in associates 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 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 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, 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 are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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.

When investments in associates are classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

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 either 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

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 value 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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 inventories, deferred tax assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets.

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 an 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 the statement of profit or loss in the period in which it arises.

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 parent of the Group;

or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group, and the sponsoring employers of the post-employment benefit plan;

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 the statement of 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.

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 the estimated useful life. The principal annual rates used for this purpose are as follows:

	Useful life *(years)*	**Depreciation rate**
Hotel properties		
– Leasehold land under financial leases	Lease term	Lease term
– Freehold land	Not depreciated	Not depreciated
– Building in Hong Kong	50	2%
– Building in Paris	10 - 94	1.06% - 10%
Heat supply facilities	18	5.28%
Buildings	18 - 27	3.33 - 5.28%
Leasehold improvements	2 - 5	20 - 50%
Motor vehicles	5	18 - 20%
Office equipment	5 - 6	15 - 20%

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 the statement of 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 impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The useful lives of intangible assets are shown as follows:

	Useful life *(years)*
Existing fee contract	18
Operating rights	18
Existing construction contracts	2
Software	3-5

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 the statement of 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 the statement of 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 financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, 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, except in the case of financial assets recorded at fair value through profit or loss.

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:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or less category.

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 in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are 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 asset is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the asset is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily 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.

Impairment of financial assets

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

The amount of 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 through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 other expenses in the statement of profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset 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 the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of 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 the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments, amounts due to related companies, loans from related companies, interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing 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 the statement of 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 in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 of financial liabilities

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 the statement of profit or loss.

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its foreign currency risk and its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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 in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 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)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services:

- revenue from heat energy supply is recognised when heat is provided;

- revenue from heat energy supply facilities connection is recognised on the stage of completion basis, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered; and

- hotel operation income is recognised upon the provision of the services and the utilisation by guests of the hotel facilities.

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

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 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 33 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments(continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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 the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

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 per share.

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 the statement of 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 operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars. 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. As the majority businesses of the Company in mainland China (note 11) has been discontinued, the Company reassessed and changed its functional currency from RMB to HKD with effective from 1 August 2015.

Foreign currency transactions recorded by the entities in the Group are initially recorded using the 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 the statement of 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 profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain subsidiaries and associates of the Group 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 Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into the presentation currency at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and the subsidiaries throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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.

Judgements

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

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 uncertainty

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

Depreciation of items of property, plant and equipment

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. Useful lives are determined based on management's past experience with similar assets and estimated changes in technologies. If the estimated useful lives changed significantly, adjustment of depreciation will be provided in the future year. The carrying amount of property, plant and equipment at 31 December 2015 was approximately HK$3,378,476,000 (2014: approximately HK$4,489,893,000). More details are given in note 14.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of fair value less costs of disposal of the hotel operation cash-generating units to which the goodwill is allocated. Valuation technique adopted by the Group to assess the fair value is market approach, which used prices and other relevant information generated by market transactions involving identical and comparable group of assets and liabilities or business. The carrying amount of goodwill at 31 December 2015 was HK$292,060,000 (2014: approximately HK$329,917,000). More details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in notes 14 and 17.

Deferred tax assets

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 estimation 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 carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was HK$31,276,000 (2014: HK$45,212,000). The amount of unrecognised tax losses at 31 December 2015 was HK$143,284,000 (2014: HK$240,945,000). Further details are contained in note 31 to the financial statements.

4. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group has only one (2014: three) reportable operating segment: the hotel operation segment is engaged in operation of hotel businesses in Hong Kong and France. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

The heat energy supply segment, engaging in the production and supply of heat energy, installation, engineering and maintenance of heating systems and management of heating pipes, covering a vast area of heat energy supply within the municipality of Tianjin, has been disposed of on 28 October 2015 and details of which are given in notes 11 and 36 to the financial statements.

The steel manufacturing and trading segment holding significant interests in three associates, located in Shandong Province, engaged in steel and steel product manufacturing and trading, has been reclassified as discontinued operation as at 31 December 2015, details of which are given in note 11 to the financial statements.

4. REVENUE AND SEGMENT INFORMATION (continued)

Revenue represents the value of hotel operation income during the year. An analysis for the Group's revenue is as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Segment revenue		
Sales to external customers	329,737	88,688
Revenue from continuing operations	329,737	88,688
Segment results	(36,913)	(145,121)
Reconciliation:		
Interest income	946	959
Corporate and other unallocated expenses	(23,895)	(137,388)
Finance costs	–	(112)
Loss before tax from continuing operations	(59,862)	(281,662)

Geographical information

(a) Revenue from external customers

	2015 HK$'000	2014 HK$'000 (Restated)
Hong Kong	26,461	31,596
France	303,276	57,092
	329,737	88,688

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
France	3,099,108	3,535,633
Hong Kong	522,218	532,836
Mainland China	49,537	3,233,342
	3,670,863	7,301,811

The non-current asset information from continuing operations above is based on the locations of the assets and excludes available-for-sale investments and deferred tax assets.

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue for both years.

5. OTHER INCOME AND GAINS

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Other income		
Bank interest income	**946**	959
Gains		
Foreign exchange gains	**2,721**	–
Others	**2,624**	2,147
	6,291	3,106

6. OTHER EXPENSES

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Foreign exchange loss	**–**	64,998

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000 (Restated)
Interest on bank borrowings		
– wholly repayable within five years	**38,005**	13,418
Fair value losses, net:		
Cash flow hedges (transfer from equity)	**7,648**	1,239
Interest on loans from related companies *(note 30)*	**75,203**	19,985
	120,856	34,642

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Cost of hotel operation		**170,522**	37,022
Depreciation of items of property, plant and equipment		**48,815**	24,093
Amortisation of intangible assets		**72**	16
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages, salaries and other benefits		**3,667**	2,928
Auditors' remuneration		**5,000**	5,500
Minimum lease payments under operating leases:			
Buildings		**1,575**	1,603
Fair value losses, net:			
Cash flow hedges (transfer from equity)	*7*	**7,648**	1,239
Bank interest income	*5*	**(946)**	(959)
Foreign exchange (gain)/loss, net	*5, 6*	**(2,721)**	64,998

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Director) Regulation, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Fees	**1,200**	1,200
Other remuneration:		
Salaries, allowance and benefits in kind	**9,490**	9,750
Discretionary bonus	**1,190**	1,190
Pension scheme contributions	**54**	51
	10,734	10,991
	11,934	12,191

No share options were granted for the years ended 31 December 2015 and 2014.

The remuneration paid or payable to each of the six (31 December 2014: six) directors is as follows:

2015	**Fees**	**Salaries allowance and benefits in kind**	**Discretionary bonus**	**Pension scheme contributions**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors:					
Mr. Xue Jian	**200**	**2,600**	**800**	**18**	**3,618**
Mr. Law Wing Chi, Stephen	**200**	**1,690**	**390**	**18**	**2,298**
	400	**4,290**	**1,190**	**36**	**5,916**
Non-executive director:					
Mr. Hu Yishi	**200**	**5,200**	**–**	**18**	**5,418**
	200	**5,200**	**–**	**18**	**5,418**
Independent non-executive directors:					
Mr. Tam Sun Wing	**200**	**–**	**–**	**–**	**200**
Mr. Ng Ge Bun	**200**	**–**	**–**	**–**	**200**
Mr. He Yi	**200**	**–**	**–**	**–**	**200**
	600	**–**	**–**	**–**	**600**
Total	**1,200**	**9,490**	**1,190**	**54**	**11,934**

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

2014	Fees	Salaries allowance and benefits in kind	Discretionary bonus	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Xue Jian	200	2,600	800	17	3,617
Mr. Law Wing Chi, Stephen	200	1,950	390	17	2,557
	400	4,550	1,190	34	6,174
Non-executive director:					
Mr. Hu Yishi	200	5,200	–	17	5,417
	200	5,200	–	17	5,417
Independent non-executive directors:					
Mr. Tam Sun Wing	200	–	–	–	200
Mr. Ng Ge Bun	200	–	–	–	200
Mr. He Yi	200	–	–	–	200
	600	–	–	–	600
Total	1,200	9,750	1,190	51	12,191

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid employees during the year included three (2014: three) directors, details of whose remuneration are included above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,664**	1,260
Discretionary bonus	**275**	210
Pension scheme contributions	**48**	45
Total	**1,987**	1,515

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–

10. INCOME TAX EXPENSE/(CREDIT)

The major components of income tax expense/(credit) for the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
Europe	**6,066**	31
Deferred income tax *(note 31)*	**6,592**	(41,816)
Income tax expense/(credit) for the year	**12,658**	(41,785)

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

The provision for PRC current income tax is based on the statutory rate of 25% (2014: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008.

The provision of French's current income tax is based on the rate of 33.33% (2014: 33.33%) of the estimated assessable profits arising during the year.

The provision of Luxembourg's current income tax is based on the rate of 29.22% (2014: 29.22%) of the estimated assessable profits arising during the year.

10. INCOME TAX EXPENSE/(CREDIT) (continued)

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rate for the years ended 31 December 2015 and 2014, are as follows:

2015	Mainland China		Hong Kong		France		Luxembourg		Others [i]		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
(Loss)/profit before tax from continuing operations	(681)		(185,919)		18,571		108,728		(561)		(59,862)	
Tax at the statutory income tax rate	(170)	25.0	(30,677)	16.5	6,190	33.33	31,770	29.22	–	–	7,113	(11.9)
Expenses not deductible for tax	–	–	33,643	(18.1)	7,274	39.16	–	–	–	–	40,917	(68.4)
Income not subject to tax	–	–	(7,276)	3.9	–	–	(31,770)	(29.22)	–	–	(39,046)	65.2
Tax losses utilised from previous periods	–	–	(120)	0.06	–	–	–	–	–	–	(120)	0.2
Tax losses not recognised	170	(25.0)	3,513	(1.9)	–	–	–	–	–	–	3,683	(6.2)
Minimum corporate income tax	–	–	–	–	–	–	111	0.1	–	–	111	(0.2)
Tax expense at the Group's effective rate	–	–	(917)	0.46	13,464	72.49	111	0.1	–	–	12,658	(21.3)

10. INCOME TAX EXPENSE/(CREDIT) (continued)

2014 (Restated)	Mainland China HK$'000	%	Hong Kong HK$'000	%	France HK$'000	%	Luxembourg HK$'000	%	Others (i) HK$'000	%	Total HK$'000	%
Profit/(loss) before tax from continuing operations	(1,442)		(185,512)		(129,247)		34,889		(350)		(281,662)	
Tax at the statutory income tax rate	(361)	25.0	(30,609)	16.5	(43,082)	33.33	10,195	29.22	–	–	(63,857)	22.7
Expenses not deductible for tax	–	–	17,794	(9.6)	4,809	(3.72)	–	–	–	–	22,603	(8.0)
Income not subject to tax	–	–	(1,098)	0.6	–	–	(10,365)	(29.71)	–	–	(11,463)	4.0
Deferred tax assets not recognised in prior years	–	–	–	–	(880)	0.68	–	–	–	–	(880)	0.3
Tax losses not recognised	361	(25.0)	11,250	(6.1)	–	–	170	0.49	–	–	11,781	(4.2)
Minimum corporate income tax	–	–	–	–	–	–	31	0.09	–	–	31	0.0
Tax credit at the Group's effective rate	–	–	(2,663)	1.4	(39,153)	30.29	31	0.09	–	–	(41,785)	14.8

(i) Others represent the results of certain subsidiaries which are tax exempted companies incorporated in Bermuda and the British Virgin Islands.

11. DISCONTINUED OPERATIONS

(a) Disposal of heat energy supply segment

On 27 May 2015, the Company entered into an agreement to dispose of the entire issued capital of Spread International Group Limited (the "Spread International") and its subsidiaries (collectively as the "Disposal Group") and a shareholder's loan owing by the Disposal Group ("Shareholder's Loan") to a third party (the "Disposal of Spread International").

Spread International holds a 100% equity interest in Achieve (China) Limited ("Achieve"). Spread International and Achieve acted solely as an investment holding company. Achieve holds a 49% equity interest in Tianjin Heating Development Company Limited ("Tianjin Heating").

Tianjin Heating and its subsidiaries are engaged in the production and supply of heat energy, installation, engineering and maintenance of heating systems and management of heating pipes, covering a vast area of heat energy supply within the municipality of Tianjin.

11. DISCONTINUED OPERATIONS (continued)

(a) Disposal of heat energy supply segment (continued)

Particulars of the Disposal Group are as follows:

Name of subsidiary	Legal form of business	Place of incorporation or registration/place of operation	Nominal value of issued and fully paid-up share/registered capital	Percentage of issued share/registered capital attributable to the Company		Principal activities
				Direct %	Indirect %	
Spread International Group Limited	Corporation	British Virgin Islands	US$100	–	100	Investment holding
Achieve (China) Limited	Corporation	Hong Kong	HK$1	–	100	Investment holding
Tianjin Heating Development Company Limited (天津市供熱發展有限公司) (i)	Sino-foreign owned enterprise	The PRC/Mainland China	RMB50,000,000	–	49	Heat energy supply in Tianjin, the PRC
Tianjin Baosheng Heating Investment Company Limited (天津市寶勝熱能投資有限公司) (ii)	Limited enterprise	The PRC/ Mainland China	RMB20,000,000	–	26.95	Heat energy supply in Tianjin, the PRC
Tianjin Meijiang Heating Company Limited (天津市梅江供熱有限公司) (ii)	Limited enterprise	The PRC/ Mainland China	RMB66,000,000	–	25.98	Heat energy supply in Tianjin, the PRC

(i) Tianjin Heating is accounted for as a subsidiary of the Group because the Group has the power to control the board of directors and to govern the financial and operating policies of Tianjin Heating. Through an entrustment agreement dated 30 June 2008 entered into between one wholly-owned subsidiary of the Group and a shareholder of Tianjin Heating who holds a 5% equity interest in Tianjin Heating, the Group has the right to exercise all the power as a shareholder of a 5% equity interest, and the Group is entitled to an extra right to appoint one director to the board of directors of Tianjin Heating. Together with the Group's original right to appoint directors to the board of directors of Tianjin Heating as the shareholder holding a 49% equity interest, the Group is entitled to appoint up to six directors out of nine directors to the board of directors of Tianjin Heating. Tianjin Heating applies the principle of simple majority to pass a board resolution.

(ii) Tianjin Baosheng Heating Investment Company Ltd and Tianjin Meijiang Heating Company Ltd. ("Meijiang Heating") are subsidiaries of Tianjin Heating, a non-wholly-owned subsidiary of the Group, and accordingly are accounted for as subsidiaries by virtue of the Group's control over them.

11. DISCONTINUED OPERATIONS (continued)

(a) Disposal of heat energy supply segment (continued)

The disposal of Disposal Group was completed on 28 October 2015. The results of discontinued operations for period/year are presented below:

	2015 HK$'000	2014 HK$'000
Revenue	**180,498**	316,311
Cost of sales	**(192,919)**	(281,770)
Gross (loss)/profit	**(12,421)**	34,541
Other income and gains	**8,505**	7,709
Other expenses	**(538)**	(3,189)
Administrative expenses	**(40,515)**	(39,895)
Finance costs	**(145)**	(111)
Share of (losses)/gain of an associate	**(4)**	2
Loss before tax from the discontinued operations	**(45,118)**	(943)
Income tax credit/(expense)	**5,066**	(4,592)
Loss after tax from discontinued operations	**(40,052)**	(5,535)
Gain on disposal *(note 36)*	**58,772**	–
Reclassification of translation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of subsidiaries	**22,146**	–
	80,918	–
Profit/(loss) from the discontinued operations	**40,866**	(5,535)
Attributable to:		
Owners of the Company	**64,582**	(4,699)
Non-controlling interests	**(23,716)**	(836)
	40,866	(5,535)

The translation reserve amounting to HK$22,146,000 relating to the disposal of subsidiaries is reclassified from other comprehensive income to statement of profit or loss for the year.

11. DISCONTINUED OPERATIONS (continued)

(a) Disposal of heat energy supply segment (continued)

The net cash flows incurred by the Disposal Group are as follows:

	2015	2014
	HK$'000	*HK$'000*
Operating activities	**(9,319)**	99,711
Investing activities	**(64,705)**	(46,493)
Financing activities	**(17,348)**	(20,931)
Net cash (outflows)/inflows	**(91,372)**	32,287

Earnings/(loss) per share for the abovementioned discontinued operation are stated below:

	2015	2014
	HK$'000	*HK$'000*
Basic from the discontinued operations	**HK0.51 cents**	(HK0.04 cents)

The calculation of basic earnings per share from the discontinued operations is based on:

	2015	2014
Profit/(loss) (HK$'000)		
Profit/(loss) attributable to ordinary equity holders of the Company from the discontinued operations	**64,582**	(4,699)
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 13)*	**12,778,880**	12,778,880

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

11. DISCONTINUED OPERATIONS (continued)

(b) Discontinued operation of steel manufacturing and trading segment

The Board passed a resolution to dispose of the entire issued share capital of Fame Risen and a shareholder's loan owing by Fame Risen to the Company ("Shareholder's Loan from Fame Risen") to a related party (the "Disposal of Fame Risen").

Fame Risen was the foreign joint venture partner of the associated companies holding:

(i) a 30% equity interest in 日照型鋼有限公司 (Rizhao Medium Section Mill Co., Ltd.), which is principally engaged in the manufacturing and sale of wire rod, medium size wide and heavy plate, section steel and related products, including H-beams which are widely used in the construction, infrastructure, aeronautics and ship-building industries;

(ii) a 30% equity interest in 日照鋼鐵有限公司 (Rizhao Steel Co., Ltd.), which is principally engaged in the manufacturing and sale of common carbon steel, low alloy steel and other steel billet; and

(iii) a 25% equity interest in 日照鋼鐵軋鋼有限公司 (Rizhao Steel Wire Co., Limited), which is principally engaged in the manufacturing and sale of high-end metal parts, rod and wire materials for construction, strips and related products, including deformed steel bar, round steel bars and steel rolls.

As at 31 December 2015, the discussion and negotiation for the disposal were in progress and Fame Risen had been classified as a disposal group held for sale and as a discontinued operation. With Fame Risen being classified as a discontinued operation, the steel manufacturing and trading segment is no longer included in the note for operating segment information as at 31 December 2015.

On 4 January 2016, the Company announced that it entered into an agreement regarding the Disposal of Fame Risen. A circular containing information on the Disposal of Fame Risen was despatched to the shareholders on 25 February 2016. The special general meeting of the Company has been convened and held for the shareholders on 14 March 2016 and the relevant resolution approving the Disposal of Fame Risen had been passed at the meeting.

The results of Fame Risen for the year are presented below:

	2015 ***HK$'000***	2014 *HK$'000*
Other income and gains	**292**	467
Other expense	**(1,753)**	(382)
Administrative expenses	**(2,631)**	(3,589)
Share of (losses)/profits of associates	**(8,750)**	373,154
(Loss)/profit before tax from the discontinued operations	**(12,842)**	369,650
Income tax credit/(expense)	**437**	(18,657)
(Loss)/profit from the discontinued operations	**(12,405)**	350,993

11. DISCONTINUED OPERATIONS (continued)

(b) Discontinued operation of steel manufacturing and trading segment (continued)

The major classes of assets and liabilities of Fame Risen classified as held for sale as at 31 December 2015 are as follows:

	2015 *HK$'000*
ASSETS	
Investments in associates *(note 18)*	**2,211,562**
Cash and cash equivalents	**1,709**
Assets of Fame Risen	**2,213,271**
LIABILITIES	
Deferred tax liabilities	**18,349**
Amount due to the Group	**27,536**
Liabilities of Fame Risen classified as held for sale on balance sheet	**45,885**
Net assets directly associated with Fame Risen	**2,167,386**

In addition, according to the agreement, the Company will also dispose of the Shareholder's Loan from Fame Risen, being the total amounts due and owing by Fame Risen to the Group as at the date of completion. As at 31 December 2015, the carrying amount of the Shareholder's Loan from Fame Risen was HK$27,536,000.

	2015 *HK$'000*
Shareholder's Loan from Fame Risen	**27,536**
Assets of Fame Risen	**2,213,271**
Assets classified as held for sale on balance sheet	**2,240,807**

11. DISCONTINUED OPERATIONS (continued)

(b) Discontinued operation of steel manufacturing and trading segment (continued)

The net cash flows incurred by Fame Risen are as follows:

	2015 HK$'000	2014 HK$'000
Operating activities	**(4,071)**	(5,353)
Financing activities	**(71,674)**	37,707
Net cash (outflows)/inflows	**(75,745)**	32,354

(Loss)/earnings per share for the abovementioned discontinued operation are stated below:

	2015 HK$'000	2014 HK$'000
Basic from the discontinued operation	**(HK0.10 cents)**	HK2.75 cents

The calculation of basic (loss)/earnings per share from the discontinued operation is based on:

	2015	2014
(Loss)/Profit (HK$'000)		
(Loss)/profit attributable to ordinary equity holders of the Company from the discontinued operation	**(12,405)**	350,993
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation *(note 13)*	**12,778,880**	12,778,880

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year.

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of 12,778,880,000 (2014: 12,778,880,000) shares in issue during the year.

The calculation of basic (loss)/earnings per share amounts is based on:

	2015	2014 (Restated)
(Loss)/profit (HK$'000)		
(Loss)/profit attributable to ordinary equity holders of the Company		
From continuing operations	**(72,520)**	(239,877)
From discontinued operations	**52,177**	346,294
(Loss)/profit attributable to ordinary equity holders of the Company	**(20,343)**	106,417
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**12,778,880**	12,778,880

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Heat supply facilities HK$'000	Hotel properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
As at 1 January 2014	821,111	525,263	128,370	18,843	16,842	7,291	42,647	1,560,367
Additions	630	851	–	43	2,071	1,210	48,266	53,071
Acquisition of subsidiaries *(note 35)*	–	3,333,747	–	–	–	–	278	3,334,025
Transfers	15,434	–	21,948	–	–	151	(37,533)	–
Reclassification	(52,357)	–	51,666	–	171	520	–	–
Disposals	–	–	–	–	(207)	–	–	(207)
Exchange differences on translation	(3,028)	(120,695)	(105)	–	(39)	(10)	(106)	(123,983)
As at 31 December 2014	781,790	3,739,166	201,879	18,886	18,838	9,162	53,552	4,823,273
Additions	806	3,092	–	78	884	548	12,559	17,967
Transfers	6,823	–	37,048	–	–	–	(43,871)	–
Disposals	–	–	–	(26)	(497)	(23)	–	(546)
Exchange differences on translation	(30,159)	(368,798)	(9,739)	(10)	(763)	(253)	(1,218)	(410,940)
Disposal of subsidiaries *(note 36)*	(759,260)	–	(169,037)	–	(10,443)	(6,275)	(20,232)	(965,247)
As at 31 December 2015	–	3,373,460	60,151	18,928	8,019	3,159	790	3,464,507
Accumulated depreciation								
As at 1 January 2014	(171,810)	(61)	(29,929)	(1,950)	(9,887)	(4,226)	–	(217,863)
Charge for the year	(37,631)	(11,762)	(5,780)	(8,180)	(2,495)	(774)	–	(66,622)
Reclassification	6,839	–	(6,355)	–	–	(484)	–	–
Disposals	–	–	–	–	60	–	–	60
Exchange differences on translation	530	166	47	1	21	8	–	773
As at 31 December 2014	(202,072)	(11,657)	(42,017)	(10,129)	(12,301)	(5,476)	–	(283,652)
Charge for the year	(41,132)	(37,223)	(9,499)	(7,304)	(1,958)	(1,308)	–	(98,424)
Disposals	–	–	–	20	447	20	–	487
Exchange differences on translation	9,000	1,095	2,023	10	540	170	–	12,838
Disposal of subsidiaries *(note 36)*	234,204	–	38,464	–	5,861	4,191	–	282,720
As at 31 December 2015	–	(47,785)	(11,029)	(17,403)	(7,411)	(2,403)	–	(86,031)
Impairment loss								
As at 1 January 2014	(49,897)	–	–	–	–	–	–	(49,897)
Exchange differences on translation	169	–	–	–	–	–	–	169
As at 31 December 2014	(49,728)	–	–	–	–	–	–	(49,728)
Exchange differences on translation	1,846	–	–	–	–	–	–	1,846
Disposal of subsidiaries *(note 36)*	47,882	–	–	–	–	–	–	47,882
As at 31 December 2015	–	–	–	–	–	–	–	–
Net carrying amount								
As at 31 December 2015	–	3,325,675	49,122	1,525	608	756	790	3,378,476
As at 31 December 2014	529,990	3,727,509	159,862	8,757	6,537	3,686	53,552	4,489,893

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land is included in hotel properties. The analysis of land is stated as follows:

Analysis of land:

	2015 **HK$'000**	2014 *HK$'000*
In Hong Kong, held on lease expiring over 50 years	**421,252**	421,711
In France, freehold	**2,083,811**	2,353,920
	2,505,063	2,775,631

At 31 December 2015, certain of the Group's hotel properties with a net carrying amount of approximately HK$3,325,675,000 (2014: approximately HK$3,727,509,000) were pledged to secure general banking facilities granted to the Group (note 29).

15. PREPAID LAND LEASE PAYMENTS

The prepaid land lease payments of the Group represent leasehold interests in state-owned land in Mainland China with rights to use the land under leases of 18 years.

	2015 **HK$'000**	2014 *HK$'000*
Carrying amount at 1 January	**39,056**	42,570
Recognised during the year	**(2,770)**	(3,355)
Exchange differences on translation	**(1,384)**	(159)
Disposal of subsidiaries *(note 36)*	**(34,902)**	–
Carrying amount at 31 December	**–**	39,056
Current portion	**–**	(3,370)
Non-current portion	**–**	35,686

16. GOODWILL

	Total HK$'000
At 1 January 2014:	
Cost	49,105
Accumulated impairment	(49,105)
Net carrying amount	–
Cost at 1 January 2014, net of accumulated impairment	–
Acquisition of a subsidiary *(note 35)*	342,309
Exchange realignment	(12,392)
At 31 December 2014	329,917
At 31 December 2014:	
Cost	391,414
Accumulated impairment	(49,105)
Exchange realignment	(12,392)
Net carrying amount	329,917
Cost at 1 January 2015, net of accumulated impairment	329,917
Disposal of subsidiaries – cost *(note 36)*	(49,105)
Disposal of subsidiaries – impairment *(note 36)*	49,105
Exchange realignment	(37,857)
At 31 December 2015	292,060
At 31 December 2015	
Cost	342,309
Exchange realignment	(50,249)
Net carrying amount	292,060

16. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations (note 35) is allocated to the following cash-generating unit for impairment testing:

- French hotel cash-generating unit.

The carrying amount of the French hotel cash-generating unit is HK$292,060,000. The recoverable amount of the French hotel cash-generating unit ("CGU") has been determined based on fair value less costs of disposal ("FVLCD"). In determining the FVLCD of the CGU, management has adopted the market approach, which used prices and other relevant information generated by market transactions involving identical and comparable group of assets and liabilities or business.

Assumptions were used in the FVLCD calculation of the CGU for 31 December 2015. The following describes each key assumption on which management has based its comparison to undertake impairment testing of goodwill:

- The CGU was sold with the benefit of vacant possession at the valuation date.

- This approach assumed that the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

- The use of this approach depends on the existence of an active market and the transparency of the transactions to the public.

17. OTHER INTANGIBLE ASSETS

	Existing fee contract HK$'000	Existing construction contracts HK$'000	Operating rights HK$'000	Software HK$'000	Total HK$'000
Cost					
As at 1 January 2014	298,577	6,248	133,797	–	438,622
Acquisition	–	–	–	283	283
Additions	–	–	–	156	156
Exchange differences on translation	(1,011)	(21)	(453)	(13)	(1,498)
As at 31 December 2014	297,566	6,227	133,344	426	437,563
Disposal of subsidiaries *(note 36)*	(286,518)	(5,995)	(128,393)	–	(420,906)
Exchange differences on translation	(11,048)	(232)	(4,951)	(13)	(16,244)
As at 31 December 2015	**–**	**–**	**–**	**413**	**413**
Amortisation					
As at 1 January 2014	(24,882)	(6,248)	(40,883)	–	(72,013)
Provided for the year	–	–	(7,375)	(16)	(7,391)
Exchange differences on translation	85	21	106	1	213
As at 31 December 2014	(24,797)	(6,227)	(48,152)	(15)	(79,191)
Provided for the year	–	–	(6,090)	(72)	(6,162)
Disposal of subsidiaries *(note 36)*	23,876	5,995	52,308	–	82,179
Exchange differences on translation	921	232	1,934	1	3,088
As at 31 December 2015	**–**	**–**	**–**	**(86)**	**(86)**
Impairment					
As at 1 January 2014	(273,695)	–	–	–	(273,695)
Exchange differences on translation	926	–	–	–	926
As at 31 December 2014	(272,769)	–	–	–	(272,769)
Disposal of subsidiaries *(note 36)*	262,642	–	–	–	262,642
Exchange differences on translation	10,127	–	–	–	10,127
As at 31 December 2015	**–**	**–**	**–**	**–**	**–**
Net carrying amount					
As at 31 December 2015	**–**	**–**	**–**	**327**	**327**
As at 31 December 2014	–	–	85,192	411	85,603

18. INVESTMENTS IN ASSOCIATES

	2015 **HK$'000**	2014 HK$'000
Share of net assets	–	2,752,432
Provision for impairment (iii)	–	(394,766)
	–	2,357,666

Particulars of all associates are as follows:

Name of associate	Legal form of business	Place of incorporation or registration/place of operation	Registered capital	Percentage of ownership interest attributable to the Group Directly	Percentage of ownership interest attributable to the Group Indirectly	Principal activities
天津市梅江供熱運行管理有限公司 Tianjin Meijiang Heat Supply Operating Management Company Limited (i)	Limited enterprise	The PRC/ Mainland China	RMB2,000,000	–	21%	Sale of heating materials
日照鋼鐵有限公司 Rizhao Steel Co., Limited ("Rizhao Steel") (ii), (iii)	Limited enterprise	The PRC/ Mainland China	RMB100,000,000	–	30%	Manufacturing and trading of steel products
日照型鋼有限公司 Rizhao Medium Section Mill Co., Limited ("Rizhao Mill") (ii), (iii)	Limited enterprise	The PRC/ Mainland China	RMB100,000,000	–	30%	Manufacturing and trading of steel products
日照鋼鐵軋鋼有限公司 Rizhao Steel Wire Co., Limited ("Rizhao Wire") (ii), (iii)	Limited enterprise	The PRC/ Mainland China	RMB80,000,000	–	25%	Manufacturing and trading of steel products

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

As at 28 October 2015, investments in the associates have been disposed of along with the Disposal of Spread International. Details are given in note 36 to the financial statements.

(ii) Investments in Rizhao Steel, Rizhao Mill, and Rizhao Wire were acquired through the acquisition of a 100% interest in Fame Risen Development Limited in May 2009, which belongs to the steel manufacturing and trading segment.

As at 31 December 2015, investments in associates of Rizhao Steel, Rizhao Mill and Rizhao Wire have been classified as held for sale for discontinued operations. Details are given in note 11 to the financial statements.

18. INVESTMENTS IN ASSOCIATES (continued)

(iii) Provision for impairment

As of 31 December 2015 and 2014, management of the Group is of the opinion that no additional impairment is required for long term assets of each associate and the Group's investments in the associates.

Rizhao Steel, Rizhao Mill and Rizhao Wire, are considered material associates of the Group, and are accounted for using the equity method.

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

Rizhao Steel	**2015** ***HK$'000***	2014 *HK$'000*
Current assets	**18,128,640**	16,016,885
Non-current assets	**16,112,028**	16,197,143
Current liabilities	**(27,855,997)**	(24,991,376)
Non-current financial liabilities, excluding trade and other payables and provisions	**(1,520,822)**	(1,521,105)
Non-current liabilities	**(1,237,828)**	(1,845,246)
Net assets	**3,626,021**	3,856,301
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Share of net assets of the associate	**1,087,806**	1,156,890
Revenues	**31,853,004**	41,373,386
(Loss)/profit for the year	**(5,662)**	625,950
Total comprehensive (loss)/income for the year	**(230,283)**	617,747

18. INVESTMENTS IN ASSOCIATES (continued)

Rizhao Mill	**2015**	2014
	HK$'000	*HK$'000*
Current assets	**5,439,269**	6,487,613
Non-current assets	**407,210**	446,041
Current liabilities	**(5,099,429)**	(6,000,293)
Non-current financial liabilities, excluding trade and other payables and provisions	**–**	(188,738)
Non-current liabilities	**(26,138)**	(30,363)
Net assets	**720,912**	714,260
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Share of net assets of the associate	**216,274**	214,278
Revenues	**3,316,376**	4,746,173
Profit for the year	**50,160**	82,093
Total comprehensive income for the year	**6,654**	80,309

Rizhao Wire	**2015**	2014
	HK$'000	*HK$'000*
Current assets	**23,949,511**	26,270,008
Non-current assets	**3,936,013**	4,440,320
Current liabilities	**(21,867,256)**	(23,344,785)
Non-current financial liabilities, excluding trade and other payables and provisions	**(596,815)**	(1,330,967)
Non-current liabilities	**(304,635)**	(510,652)
Net assets	**5,116,818**	5,523,924
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**25%**	25%
Share of net assets of the associate	**1,279,204**	1,380,981
Revenues	**24,417,753**	39,407,261
(Loss)/profit for the year	**(88,399)**	642,964
Total comprehensive income for the year	**(407,117)**	629,226

18. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associates' (loss)/profit for the year	**(4)**	2
Share of the associates' other comprehensive loss	**(12)**	(1)
Share of the associates' total comprehensive (loss)/income	**(16)**	1
Aggregate carrying amount of the Group's investments in the associates	**–**	283

19. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Unlisted equity investments – at cost		
Balance at 1 January	**6,613**	6,635
Exchange differences on translation	**(245)**	(22)
Disposal of subsidiaries *(note 36)*	**(6,368)**	–
Balance at 31 December	**–**	6,613
Impairment loss		
Balance at 1 January	**(718)**	(720)
Exchange differences on translation	**26**	2
Disposal of subsidiaries *(note 36)*	**692**	–
Balance at 31 December	**–**	(718)
Carrying value		
At 1 January	**5,895**	5,915
At 31 December	**–**	5,895

The Group's available-for-sale investments included a 16% equity interest in 天津市津熱物流有限公司 (Tianjin Jinre Logistics Company Limited, "Tianjin Jinre Logistics") and a 4% equity interest in 天津津濱供熱有限公司 (Tianjin Jinbin Heat Supply Company Limited, "Tianjin Jinbin"). These unlisted equity instruments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

20. OTHER LONG-TERM ASSETS

Other long-term assets of the Group represent the prepaid lease payment for the user right of a building with leases of eight years.

	2015	2014
	HK$'000	*HK$'000*
Carrying amount at 1 January	**3,858**	4,686
Recognised during the year	**(668)**	(809)
Exchange differences on translation	**(127)**	(19)
Disposal of subsidiaries *(note 36)*	**(3,063)**	–
Carrying amount at 31 December	**–**	3,858
Current portion	**–**	(812)
Non-current portion	**–**	3,046

21. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Food and beverages	**1,297**	1,387
Raw materials	**–**	8,330
Spare parts	**–**	315
	1,297	9,402

22. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**10,954**	22,512

Hotel operation revenue is normally settled by cash or credit card. For travel agents and certain corporate customers, the credit period is generally one month. Trade receivables are non-interest-bearing.

22. TRADE RECEIVABLES (continued)

An aged analysis of trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
Within 1 month	6,820	16,063
1 to 3 months	4,087	5,571
Over 3 months	47	878
	10,954	22,512

No impairment allowance is necessary in respect of trade receivables because there has not been a significant change in credit quality and the balances are considered fully recoverable.

23. OTHER RECEIVABLES AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Prepayments	1,956	3,283
Deposits and other receivables	13,491	27,011
	15,447	30,294
Impairment of other receivables	–	(3,147)
	15,447	27,147

The movements in provision for impairment of other receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	3,147	–
Impairment losses recognised	–	3,133
Exchange difference on translation	(117)	14
Reversal of impairment	(3,030)	–
	–	3,147

23. OTHER RECEIVABLES AND PREPAYMENTS (continued)

As at 31 December 2014, the provision for impairment of other receivables was a full provision for individually impaired other receivables of HK$3,147,000, of which the Group had assessed the recoverability and concluded that the chance of recovering the balance was low. Accordingly, full provision for impairment was made.

In 2015, with the collection of these other receivables, an impairment of HK$3,030,000 was reversed accordingly.

Apart from the impairment provision on the individually impaired other receivables as detailed above, management believes that no impairment allowance is necessary in respect of the remaining other receivables and prepayments as there had not been a significant change in credit quality and the remaining balances are considered fully recoverable.

24. AMOUNTS DUE FROM/TO RELATED COMPANIES

Amounts due from related companies

	2015 **HK$'000**	2014 *HK$'000*
Tianjin Jinbin (ii, iii)	–	144,308
Tianjin Jinre Co., Ltd. (i)	–	122,443
Tianjin Heating Supply Co., Ltd. (ii)	–	2,962
Other related companies (ii)	–	8,113
	–	277,826
Impairment provision (iii)	–	(144,308)
	–	133,518

The movements in provision for impairment of other receivables are as follows:

	2015 **HK$'000**	2014 *HK$'000*
At 1 January	**144,308**	144,798
Exchange difference on translation	**(5,358)**	(490)
Disposal of subsidiaries *(note 36)*	**(138,950)**	–
	–	144,308

Amounts due to related companies

	2015 **HK$'000**	2014 *HK$'000*
Continuing operations		
Most Honour Limited (iv)	**20,537**	19,985
Discontinued operations		
Tianjin Jinre Construction and Development Co., Ltd. (ii)	–	40,849
Tianjin Jinre Logistics (ii)	–	31,088
Tianjin Jinbin (iii)	–	119
Other related companies (ii)	–	4,437
	–	76,493
Total	**20,537**	96,478

24. AMOUNTS DUE FROM/TO RELATED COMPANIES (continued)

(i) Tianjin Jinre Co., Ltd. is a non-controlling shareholder of a subsidiary of the Group.

(ii) These related companies are under significant influence of a non-controlling shareholder of a subsidiary of the Group.

(iii) In 2010, the Group assessed the recoverability of RMB113,840,000 (equivalent HK$144,308,000) due from Tianjin Jinbin and concluded that the chance of recovering the balance was low. Accordingly, full provision for impairment was made.

(iv) Most Honour Limited, a company wholly-owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company.

Except for purchase of coal from Tianjin Jinre Logistics, these amounts are not trade in nature and are unsecured, interest-free and repayable on demand.

Apart from the impairment provision on the amount due from a related company in (iii), management believes that no further impairment allowance is necessary in respect of the remaining amount due from a related company because there has not been a significant change in credit quality and the remaining balances are still considered fully recoverable.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Cash and bank balances	**349,469**	404,066
Pledged deposits	**(20,080)**	(3,169)
Cash and cash equivalents	**329,389**	400,897

As at 31 December 2015, the pledged deposits represented the time deposits pledged to secure repayment of interests arising from interest-bearing bank borrowings.

As at 31 December 2014, the pledged deposits represented the time deposits pledged to guarantee the insurance of bank accepted bills payables.

As at 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to HK$35,578,000 (2014: HK$139,835,000). 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.

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 one day and three months in Hong Kong and Mainland China depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of these assets approximate to their fair values.

26. TRADE AND BILLS PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**14,104**	39,845
Bills payables	**–**	6,338
	14,104	46,183

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The trade payables have no significant balances with ageing over one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amount of trade payables approximates to their fair value.

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**14,104**	3,189
1 to 3 months	**–**	16,043
Over 3 months	**–**	20,613
	14,104	39,845

As at 31 December 2014, the Group's bills payable were secured by the pledge of certain of the Group's time deposits amounting to HK$3,169,000.

27. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Other payables	**14,853**	171,175
Other tax payables	**5,258**	2,930
Accruals	**12,471**	47,262
	32,582	221,367

Other payables are non-interest bearing and have no significant balance with ageing over one year.

28. DERIVATIVE FINANCIAL INSTRUMENT

	2015 Liabilities HK$'000	2014 Liabilities HK$'000
Interest rate swaps	**26,915**	24,240
Portion classified as current portion	**(8,312)**	(6,224)
Non-current portion	**18,603**	18,016

Interest rate swaps – cash flow hedges

At 31 December 2015 and 2014, the Group had an interest rate swap agreement in place with a notional amount of EUR175,000,000 whereby it received interest at a variable rate equal to the Europe Interbank Offered Rate ("EURIBOR") on the notional amount and paid interest at a fixed rate of 0.516%.

The swap is designated as a hedging instrument to hedge the exposure to changes in future cash outflows of interests arising from its 5-year secured loan (note 29). The secured loan and the interest rate swap agreement have the same critical terms. The hedge of the interest rate swap was assessed to be effective, and a net loss of HK$3,646,000 (2014: HK$16,160,000) was included in the hedging reserve as follows:

	2015 HK$'000	2014 HK$'000
Total fair value loss included in the hedging reserve	**13,117**	25,479
Deferred tax on fair value loss	**(4,372)**	(8,493)
Reclassified from other comprehensive income and recognised in the statement of profit or loss *(note 7)*	**(7,648)**	(1,239)
Deferred tax on reclassification to profit or loss	**2,549**	413
Net loss on cash flow hedges	**3,646**	16,160

29. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans-secured (ii)	**One month HIBOR+2.36%**	**2016**	**12,000**	One month HIBOR+2.36%	2015	12,000
Non-current						
Other secured bank loans (ii)	**One month HIBOR+2.36%**	**24 March 2020**	**137,000**	One month HIBOR+2.36%	24 March 2020	149,000
Other loans-secured						
Three months EURIBOR+2.2% (i)	**0.516%+2.2%***	**14 October 2019**	**1,444,201**	0.516%+2.2%	14 October 2019	1,630,245
			1,581,201			1,779,245
			1,593,201			1,791,245

* Includes the effects of a related interest rate swap as further detailed in note 28 to the financial statements.

	2015 ***HK$'000***	2014 *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year	**12,000**	12,000
In the second year	**12,000**	12,000
In the third to fifth years, inclusive	**1,569,201**	1,666,245
Beyond five years	**–**	101,000
	1,593,201	1,791,245

(i) On 13 October 2014, the Group borrowed loans of EUR175,000,000 from Societe Generale Corporate & Investment Banking which will be repaid on 14 October 2019 bearing interest at three months EURIBOR plus 2.2%. The loans were pledged by the Group's hotel property situated in France, which had an aggregate carrying value of HK$2,805,923,000 as at 31 December 2015 (2014: HK$3,205,037,000).

(ii) On 27 March 2014, the Group borrowed loans of HK$170,000,000 from The Hong Kong and Shanghai Banking Corporation Limited which will be repayable by 71 equal monthly instalments of HK$1,000,000, commencing one month after drawdown plus a final instalment of HK$99,000,000. The Group had repaid HK$12,000,000 in 2015 (2014: HK$9,000,000). The loans were pledged by the Group's hotel property situated in Hong Kong, which had an aggregate carrying value of HK$519,752,000 as at 31 December 2015 (2014: HK$522,472,000).

30. LOAN FROM A RELATED COMPANY

	2015 HK$'000	2014 HK$'000
Most Honour Limited (i)	**1,854,308**	1,854,308
Tianjin Jinre Co., Ltd (ii)	**–**	118,365
	1,854,308	1,972,673
Less: Current portion of loans from related companies	**(1,854,308)**	(118,365)
	–	1,854,308

(i) The amount is a loan from Most Honour Limited, a company wholly-owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company. The loan was denominated in US dollars with an amount of US$239,265,600 (equivalent to approximately HK$1,854,308,000), which is secured by the shares of Crown Value, bears interest at 4% per annum and is repayable after two years.

(ii) The amount is a loan from Tianjin Jinre Co., Ltd., a non-controlling shareholder of a subsidiary of the Group, which is unsecured, bears interest at 8% per annum and is repayable on demand.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments from acquisition of subsidiaries HK$'000	Deferred revenue HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2015	**451,655**	**117,758**	**19,934**	**6,780**	**596,127**
Deferred tax charged/ (credited) to loss from continuing operations *(note 10)*	**(2,096)**	**–**	**–**	**601**	**(1,495)**
Deferred tax charged/ (credited) to profit from discontinued operations *(note 11)*	**2,226**	**(10,746)**	**(437)**	**–**	**(8,957)**
Disposal of subsidiaries *(note 36)*	**(45,395)**	**(102,896)**	**–**	**–**	**(148,291)**
Deferred tax liabilities included in the liabilities associated with assets held for sale *(note 11)*	**–**	**–**	**(18,349)**	**–**	**(18,349)**
Exchange differences on translation	**(40,485)**	**(4,116)**	**(1,148)**	**(779)**	**(46,528)**
Gross deferred tax liabilities at 31 December 2015	**365,905**	**–**	**–**	**6,602**	**372,507**

31. DEFERRED TAX (continued)

Deferred tax assets

	Cash flow hedges HK$'000	Losses available for offsetting against future taxable profits HK$'000	Fair value adjustments from acquisition of subsidiaries HK$'000	Impairment of items of property, plant and equipment HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2015	**8,080**	**45,212**	**18,301**	**8,064**	**3,052**	**82,709**
Deferred tax credited/ (charged) to loss from continuing operations *(note 10)*	**–**	**(8,768)**	**681**	**–**	**–**	**(8,087)**
Deferred tax credited to profit from discontinued operations *(note 11)*	**–**	**–**	**(1,338)**	**(520)**	**(1,596)**	**(3,454)**
Disposal of subsidiaries *(note 36)*	**–**	**–**	**(15,660)**	**(7,258)**	**(1,381)**	**(24,299)**
Deferred tax credited to other comprehensive loss *(note 28)*	**1,823**	**–**	**–**	**–**	**–**	**1,823**
Exchange differences on translation	**(931)**	**(5,168)**	**3,078**	**(286)**	**(75)**	**(3,382)**
Gross deferred tax assets at 31 December 2015	**8,972**	**31,276**	**5,062**	**–**	**–**	**45,310**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

	HK$'000
Deferred tax assets recognised in the consolidated statement of financial position at 31 December 2015	**38,708**
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2015	**365,905**

31. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments from acquisition of subsidiaries *HK$'000*	Deferred revenue *HK$'000*	Withholding tax *HK$'000*	Others *HK$'000*	Total *HK$'000*
As at 1 January 2014	100,103	118,516	1,198	–	219,817
Deferred tax charged/ (credited) to loss from continuing operations *(note 10)*	(1,952)	–	–	6,909	4,957
Deferred tax charged/ (credited) to profit from discontinued operations *(note 11)*	1,324	(355)	18,657	–	19,626
Acquisition of subsidiaries *(note 35)*	365,553	–	–	–	365,553
Exchange differences on translation	(13,373)	(403)	79	(129)	(13,826)
Gross deferred tax liabilities at 31 December 2014	451,655	117,758	19,934	6,780	596,127

31. DEFERRED TAX (continued)

Deferred tax assets

	Cash flow hedges HK$'000	Losses available for offsetting against future taxable profits HK$'000	Fair value Adjustments from acquisition of subsidiaries HK$'000	Impairment of items of property, plant and equipment HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2014	–	–	18,769	8,621	–	27,390
Deferred tax credited to loss from continuing operations *(note 10)*	–	46,061	712	–	–	46,773
Deferred tax credited/(charged) to profit from discontinued operations *(note 11)*	–	–	(1,111)	(525)	3,038	1,402
Deferred tax credited to other comprehensive income	8,080	–	–	–	–	8,080
Exchange differences on translation	–	(849)	(69)	(32)	14	(936)
Gross deferred tax assets at 31 December 2014	8,080	45,212	18,301	8,064	3,052	82,709

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

	HK$'000
Deferred tax assets recognised in the consolidated statement of financial position at 31 December 2014	53,292
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2014	566,710

31. DEFERRED TAX (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2015 HK$'000	2014 HK$'000
Tax losses arising in Hong Kong (i)	**133,936**	112,645
Tax losses arising in Mainland China (ii)	**8,691**	127,718
Tax losses arising in Luxembourg (iii)	**657**	582
Impairment provision of amounts due from related companies	**–**	144,308
	143,284	385,253

(i) The Group has tax losses arising in Hong Kong of HK$133,936,000 (2014: HK$112,645,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

(ii) The Group has tax losses arising in Mainland China of HK$8,691,000 (2014: HK$127,718,000) that will expire in one to five years for offsetting against future taxable profits of the entities.

(iii) The Group has tax losses arising in Luxembourg of HK$657,000 (2014: HK$582,000) that are available indefinitely for offsetting against future taxable profits of the entities in which the losses arose.

Deferred tax assets have not been recognised in respect of the above tax losses and deductible temporary differences arose in certain subsidiaries as they have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

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. In this regard, for the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those associates established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. ISSUED CAPITAL

	Number of shares		Issued capital	
	2015 '000	2014 '000	2015 HK$'000	2014 HK$'000
Ordinary shares of HK$ 0.10 each				
Authorised:				
At beginning and end of year	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning and end of year	**12,778,880**	12,778,880	**1,277,888**	1,277,888

33. SHARE OPTION SCHEME

Pursuant to a resolution passed on 17 May 2012 (the "Effective Date"), the Company adopted a new share option scheme (the "2012 Option Scheme"), which is for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest. Under the 2012 Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Pursuant to the 2012 Option Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 2012 Option Scheme and any other share option schemes of the Company shall not exceed 30% of the share in issue from time to time. The subscription price for shares in respect of any options granted under the 2012 Option Scheme will be a price determined by the board of the directors of the Company, in its absolute discretion, but in any case will not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a trading day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, provided that for the purpose of calculating the subscription price, where the shares have been listed on the Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

No eligible participant shall be granted an option if the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of the proposed grant to such eligible participant would exceed 1% of the shares of the Company for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in a general meeting with the proposed eligible participant and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the 2012 Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than 10 years from the date of grant of the option and subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option.

Up the date of this report, the Company has not granted any share options under the 2012 Option Scheme.

34. RESERVES

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 on page 41 of the financial statements.

35. BUSINESS COMBINATION

2014 acquisition

On 13 October 2014, the Group acquired Paris Marriott Champs-Elysees Hotel (comprising the entire issued share capital of MCE OpCo HoldCo and its subsidiary MCE OpCo, and property being used in Paris for the hotel operation) (the "Paris Target Group") at the consideration of EUR344,597,934 (equivalent to approximately HK$3,379,112,000). The acquisition was made as part of the Group's strategy to expand the business portfolios in order to expand the revenue stream and to explore property investment opportunities to strengthen its asset quality. The purchase consideration for the acquisition was in the form of cash, with EUR344,597,934 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of the Paris Target Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	3,334,025
Intangible assets	283
Cash and bank balances	80,019
Inventories	1,311
Trade receivables	24,258
Prepayments and other receivables	6,903
Trade payables	(18,274)
Accruals and other payables	(26,169)
Deferred tax liabilities	(365,553)
Total identifiable net assets at fair value	3,036,803
Goodwill on acquisition	342,309
Satisfied by cash	3,379,112

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$24,258,000 and HK$4,823,000, respectively.

The Group incurred transaction costs of HK$162,925,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

35. BUSINESS COMBINATION (continued)

2014 acquisition (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(3,379,112)
Cash and bank balances acquired	80,019
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,299,093)
Transaction costs of the acquisition included in cash flows from operating activities	(162,925)
	(3,462,018)

36. DISPOSAL OF SUBSIDIARIES

As detailed in note 11, the Group disposed of subsidiaries to a third party during the year.

	Notes	**28 October 2015** *HK$'000*
Net assets disposed of:		
Property, plant and equipment	*14*	**634,645**
Prepaid land lease payments	*15*	**34,902**
Other intangible assets	*17*	**76,085**
Investment in an associate		**267**
Available-for-sale investments	*19*	**5,676**
Other long-term assets	*20*	**3,063**
Inventories		**4,026**
Trade receivables		**729**
Other receivables and prepayments		**66,981**
Amount due from related companies		**125,936**
Cash and cash equivalents		**42,125**
Trade and bills payables		**(39,968)**
Other payables and accruals		**(162,353)**
Receipt in advance		**(128,356)**
Amount due to related companies		**(43,604)**
Amount due to the Group		**(53,610)**
Loan from a related company		**(111,529)**
Interest-bearing bank borrowings		**(2,441)**
Tax payable		**(44,955)**
Deferred tax liabilities	*31*	**(123,992)**
Non-controlling interests		**(270,611)**
		13,016
Shareholder's Loan from the Disposal Group		**53,610**
		66,626
Consideration		**131,000**
Less: Disposal related expenses		**(5,602)**
Net proceeds received		**125,398**
Gain on the Disposal of Spread International		**58,772**

36. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2015
	HK$'000
Cash consideration	**131,000**
Disposal related expenses paid	**(5,602)**
Cash and bank balances disposed of	**(42,125)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**83,273**

37. PENSION SCHEME AND OTHER RETIREMENT BENEFITS

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 qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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 operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The total pension cost charged to the consolidated statement of profit or loss is approximately HK$336,000 (2014: HK$268,000).

There is no provision under the MPF Scheme which whereby forfeited contributions may be used to reduce future contributions.

38. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank borrowings and loans from related companies, which are secured by the assets of the Group, are included in notes 25, 29 and 30, respectively, to the financial statements.

39. OPERATING LEASE ARRANGEMENTS

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 three years.

At 31 December 2015, the Group had total future minimum commitments under non-cancellable operating leases, which fall due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**359**	1,686
In the second to fifth years, inclusive	**–**	1,275
	359	2,961

40. CAPITAL COMMITMENTS

At 31 December 2015, the Group had the following capital commitments:

	2015	2014
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**–**	31,780

41. CONTINGENT LIABILITIES

As of 31 December 2014, the Group provided a guarantee, with no charge, to a bank for a loan with the amount of HK$101,411,000 granted to Tianjin Jinre Logistics Company Limited, in which the Group holds a 16% equity interest. No contingent liabilities were provided for in the financial statements as the directors believe it is not probable that an outflow will be required to settle the obligation.

As at 31 December 2015, the Group had no contingent liabilities.

42. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions:

Other than the loan from related companies as disclosure in note 30 to the financial statements, the Group entered into the following transactions with related parties:

	Note	2015 HK$'000	2014 HK$'000
Continuing operations:			
Interest expense to Most Honour Limited (1)	7	**75,203**	19,985
Discontinued operations:			
Purchase of coal from Tianjin Jinre Logistics (2)		**61,205**	88,860
Purchase of raw materials from Tianjin Jinbin (2)		**19,211**	24,686
Purchase of heat meters from Tianjin Jinre Logistics (2)		**2,981**	–
Heat energy supply service conducted by Tianjin Jinbin on behalf of the Group (3)			
– Revenue		**43,168**	64,705
– Cost of sales		**31,572**	52,580
Management fee to Tianjin Jinre Co., Ltd. (4)		**21,757**	14,185
Interest expense to Tianjin Jinre Co., Ltd. (5)		**–**	841

(1) The amount is a loan from Most Honour Limited, a company wholly-owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company. The loan was denominated in US dollars with an amount of US$239,265,600 (equivalent to approximately HK$1,854,308,000), which is secured by the shares of Crown Value, bears interest at 4% per annum and is repayable after two years.

(2) The purchases from Tianjin Jinre Logistics and Tianjin Jinbin were made according to the published prices and conditions offered by them to their major customers.

(3) According to agreements entered into between Tianjin Jinbin and Meijiang Heating on 1 September 2014 and 2013, Tianjin Jinbin will provide part of the heat supply service on behalf of Meijiang Heating, being responsible for collecting related service income and paying the cost and operating expenses on behalf of Meijiang Heating, and Meijiang Heating would settle the net result incurred by Tianjin Jinbin under this arrangement by the end of the next May when the heat energy supply period ends. According to the requirements of HKAS 18, Meijiang Heating is acting as a principal in this arrangement and have recognised the revenue, cost and expenses incurred in the years ended 31 December 2015 and 2014 in their financial statements.

(4) The management fee was based on a certain percentage of heat energy supply income which was in accordance with a management fee agreement.

(5) The interest expense is derived from loans from Tianjin Jinre Co., Ltd. at 8% per annum.

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Compensation of key management personnel of the Group

The remuneration of key management during the year was as follows:

	2015 HK$'000	2014 HK$'000
Short term employee benefits	10,680	10,940
Pension scheme contributions	54	51
Total compensation paid to key management personnel	10,734	10,991

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

(c) Outstanding balances with related parties

Details of the balances with associates and related companies as at the end of the reporting period are set out in the statement of financial position and notes 24 and 30 to the financial statements.

Having due regard to the substance of the relationships, the directors are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Loans and receivables HK$'000
Trade receivables	10,954
Financial assets included in other receivables and prepayments	13,491
Pledged time deposits	20,080
Cash and cash equivalents	329,389
	373,914

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2015 (continued)

Financial liabilities

	Derivatives designated as hedge instruments in hedge relationship HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	–	14,104	14,104
Derivative financial instruments	26,915	–	26,915
Financial liabilities included in other payables and accruals	–	14,853	14,853
Amounts due to related companies	–	20,537	20,537
Interest-bearing bank and other borrowings	–	1,593,201	1,593,201
Loans from related companies	–	1,854,308	1,854,308
	26,915	3,497,003	3,523,918

2014

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	5,895	5,895
Trade receivables	22,512	–	22,512
Financial assets included in other receivables and prepayments	23,864	–	23,864
Amounts due from related companies	133,518	–	133,518
Pledged time deposits	3,169	–	3,169
Cash and cash equivalents	400,897	–	400,897
	583,960	5,895	589,855

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014 (continued)

Financial liabilities

	Derivatives designated as hedge instruments in hedge relationship *HK'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	–	46,183	46,183
Derivative financial instruments	24,240	–	24,240
Financial liabilities included in other payables and accruals	–	171,175	171,175
Amounts due to related companies	–	96,478	96,478
Interest-bearing bank and other borrowings	–	1,791,245	1,791,245
Loans from related companies	–	1,972,673	1,972,673
	24,240	4,077,754	4,101,994

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Derivative financial instruments	**26,915**	24,240	**26,915**	24,240

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade receivables, trade and bills payables, financial assets included in other receivables and prepayments, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, amounts due from/to related companies, interest-bearing bank borrowings and current portion of loans from related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. 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 chief financial officer.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed approximate to their carrying amounts.

The Group enters into derivative financial instruments with creditworthy financial institutions. Derivative financial instruments, mainly interest rate swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Derivative financial instruments	**–**	**26,915**	**–**	**26,915**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	24,240	–	24,240

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and cash equivalents. 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, other receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. The Group's accounting policies in relation to financial instruments are set out in note 2.4 to the financial statements.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer. As of 31 December 2015, the Group's trade receivables were HK$10,954,000 (2014: HK$22,512,000).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

The credit risk of the Group's other financial assets, which comprise pledged time deposits, cash and cash equivalents, amounts due from related companies and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's treasury department closely monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are positive. The Group aims to maintain flexibility in funding by keeping committed credit lines available, obtaining debentures from specific entities and borrowing loans from banks.

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on the contractual undiscounted payments.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2015					
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Longer than 5 years** *HK$'000*	**Total** *HK$'000*
Trade payables	**–**	**14,104**	**–**	**–**	**–**	**14,104**
Derivative financial instruments	**–**	**711**	**7,601**	**18,603**	**–**	**26,915**
Financial liabilities included in other payables and accruals	**–**	**20,029**	**–**	**–**	**–**	**20,029**
Amounts due to related companies	**20,537**	**–**	**–**	**–**	**–**	**20,537**
Interest-bearing bank borrowings	**6,922**	**13,997**	**42,096**	**1,703,120**	**–**	**1,766,135**
Loans from related companies	**552**	**6,714**	**1,900,752**	**–**	**–**	**1,908,018**
	28,011	**55,555**	**1,950,449**	**1,721,723**	**–**	**3,755,738**

	31 December 2014					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Longer than 5 years *HK$'000*	Total *HK$'000*
Trade payables	–	46,183	–	–	–	46,183
Derivative financial instruments	–	590	5,634	18,016	–	24,240
Financial liabilities included in other payables and accruals	–	174,105	–	–	–	174,105
Amounts due to related companies	96,478	–	–	–	–	96,478
Interest-bearing bank borrowings	7,798	15,266	46,305	1,863,813	101,434	2,034,616
Loans from related companies	118,365	18,543	55,629	1,908,495	–	2,101,032
	222,641	254,687	107,568	3,790,324	101,434	4,476,654

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain most of its interest-bearing borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2015, after taking into account the effect of the interest rate swaps, approximately 96% (2014: 91%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity*** *HK$'000*
2015			
Hong Kong dollar	100	(1,490)	(12,969)
Hong Kong dollar	(100)	1,490	15,915
2014			
Hong Kong dollar	100	(1,610)	(1,344)
Hong Kong dollar	(100)	1,610	1,344

* Excluding retained profits

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has foreign currency risk as some monetary assets and liabilities are not denominated in the functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currencies exchange rates, with all other variables held constant, of the Group's profit/loss before tax (due to changes in the fair values of monetary assets and liabilities).

2015	**Increase/ (decrease) in foreign exchange rates** **%**	**Increase/ (decrease) in profit before tax** ***HK$'000***
If US$ weakens against HKD	5%	93,738
If US$ strengthens against HKD	(5%)	(93,738)
If RMB weakens against HKD	5%	(21,365)
If RMB strengthens against HKD	(5%)	21,365
If EUR weakens against HKD	5%	(58)
If EUR strengthens against HKD	(5%)	58

2014	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit before tax *HK$'000*
If US$ weakens against RMB	5%	(3,311)
If US$ strengthens against RMB	(5%)	3,311
If RMB weakens against HKD	5%	(4,402)
If RMB strengthens against HKD	(5%)	4,402
If EUR weakens against HKD	5%	(34,025)
If EUR strengthens against HKD	(5%)	34,025

The Group changed its functional currency during 2015, details are given in note 2.4.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings include interest-bearing bank and other borrowings and loans from a related company. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
Total borrowings			
Interest-bearing bank and other borrowings	*29*	**1,593,201**	1,791,245
Loans from a related company	*30*	**1,854,308**	1,972,673
		3,447,509	3,763,918
Total assets		**6,327,545**	7,961,825
Gearing ratio		**54.5%**	47.3%

46. EVENTS AFTER THE REPORTING PERIOD

On 4 January 2016, the Company entered into a sale and purchase agreement with Intelligent Wealth Limited (the "Purchaser"), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Fame Risen Development Limited subject to the terms and conditions of the sale and purchase agreement. The special general meeting of the Company has been convened and held on 14 March 2016 and the relevant resolution approving the Disposal of Fame Risen has been passed by the shareholders at the meeting. Further details are given in note 11.

47. COMPARATIVE FIGURES

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures. In addition, the comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	3
Investments in subsidiaries	1,001	541,988
Total non-current assets	1,001	541,991
CURRENT ASSETS		
Amounts due from subsidiaries	2,462,842	2,878,526
Other receivables and prepayments	1,088	1,080
Cash and cash equivalents	119,248	29,864
	2,583,178	2,909,470
Assets of a disposal company classified as held for sale	568,124	–
Total current assets	3,151,302	2,909,470
CURRENT LIABILITIES		
Amounts due to subsidiaries	406,010	412,266
Other payables and accruals	1,916	3,016
Loan from a related company	1,854,308	–
Amount due to a related company	20,537	19,985
Total current liabilities	2,282,771	435,267
NET CURRENT ASSETS	868,531	2,474,203
TOTAL ASSETS LESS CURRENT LIABILITIES	869,532	3,016,194
NON-CURRENT LIABILITY		
Loan from a related company	–	1,854,308
Total non-current liability	–	1,854,308
Net assets	869,532	1,161,886
EQUITY		
Share capital	1,277,888	1,277,888
Reserves	(408,356)	(116,002)
Total equity	869,532	1,161,886

Approved on behalf of the board of directors:

Xue Jian
Director

Law Wing Chi, Stephen
Director

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2014	1,027,637	23,350	(1,029,568)	21,419
Total comprehensive loss for the year	–	–	(137,421)	(137,421)
At 31 December 2014	1,027,637	23,350	(1,166,989)	(116,002)
Total comprehensive loss for the year	–	–	(292,354)	(292,354)
At 31 December 2015	1,027,637	23,350	(1,459,343)	(408,356)

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**329,737**	88,688	757,490	658,998	330,994
(LOSS)/PROFIT BEFORE TAX	**(31,401)**	63,796	(73,274)	(1,116,924)	(422,590)
Income tax (expense)/credit	**(12,658)**	41,785	(23,699)	37,039	22,108
(LOSS)/PROFIT FOR THE YEAR	**(44,059)**	105,581	(96,973)	(1,079,885)	(400,482)

ASSETS, LIABILITIES AND NON-CONTROLLING INTEREST

	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**6,327,545**	7,961,825	3,806,601	3,679,805	4,751,335
TOTAL LIABILITIES	**(3,959,661)**	(4,903,184)	(789,498)	(913,769)	(897,629)
NON-CONTROLLING INTERESTS	**–**	(305,088)	(306,968)	(289,895)	(303,071)
	2,367,884	2,753,553	2,710,135	2,476,141	3,550,635