中國興業控股有限公司

China Investments Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 132)

Annual Report 2015

CONTENTS

CORPORATE INFORMATION

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

CORPORATE INFORMATION (Continued)

Branch Registrar	Tricor Progressive Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	Bank of China Bank of Communications Bank of East Asia Limited OCBC Wing Hang Bank Limited Hang Seng Bank
Solicitors	Woo, Kwan, Lee & Lo
Auditor	HLM CPA Limited *Certified Public Accountants*
Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 December 2015, the Group recorded total revenue of HK$39,275,000, representing a year-on-year increase of 21%, and a profit of HK$5,773,000, representing a decrease of 92.9% as compared to that of last year. This was attributable to the fact that special one-off gain of HK$86,388,000 arising from acquisition, including the revaluation gain from issue of consideration shares, was recorded in the previous year.

HOTEL BUSINESS

In recent years, the domestic hotel industry was continuously affected by the tightening national policy, which has led to a sluggish market overall and fierce competition in room rates. The hotel management devoted to stabilizing the existing number of customers and stepped up sales efforts on corporate meetings and online customers, which made the average occupancy rate to increase slightly by 1% to 51% during the year. However, as the room rates continued to be under pressure, average room rate declined by 4.5%. On the back of surging operating costs, gross profit margin declined from 45% to 43.6% of last year. As a result, through the year, Guilin Plaza recorded a year-on-year decline of 4.3% in revenue to HK$22,655,000, and operating loss of HK$6,354,000, representing an increase of 9.0% as compared to that of last year.

PROPERTY INVESTMENT

During the year, the Group continued efforts to adjust and optimize its property assets and to dispose of its non-core properties. During the period, the Group completed the sale of a total of 12 units of Shantou Commercial Plaza, recording a revenue of HK$8,056,000, up by 7.7 times as compared to that of the same period last year. After the year ended date, the Group signed a sale and purchase agreement in respect of the sale of Unit 1401 of President Commercial Centre in Mongkok, Kowloon, Hong Kong, at a price of HK$5,100,000. The transaction is expected to be completed on or before 23 June 2016.

The overall rental income from properties held was HK$4,871,000, representing an increase of 82% as compared to last year. The ancillary facilities enhancement works at 中控大廈 (Zhongkong Tower*) in Foshan were completed and consequently the building's overall image and quality have been upgraded. Leasing promotions of the building are now in full swing and it is expected that rental income will be generated for the Group in the coming year. However, as the Group commenced leasing promotion of 中控大廈 (Zhongkong Tower*) in August, after adjustments the overall occupancy rate fell from 70.2% to 64.9% of last year.

On 18 March 2015, the Group completed the acquisition of premises of Unit No. 1, 14 and 15, 5th floor, Wing On Plaza, Tsim Sha Tsui, Kowloon, Hong Kong, which are leased back to the vendor for a term of 12 months at an annual rent of HK$1,900,000. The above leasing agreement has expired earlier and the Company has recovered such premises which will be used as the Group's headquarters in Hong Kong.

* *For identification purpose only*

CHAIRMAN'S STATEMENT (Continued)

GAINS ON INVESTMENTS IN ASSOCIATES

As coal prices continued to linger at low levels, Nanhai Changhai Power Company Limited ("Changhai Power"), a company in which the Group is interested in 32.636% of its equity interest, performed well in achieving operational efficiency through the year. As at 31 December 2015, Changhai Power recorded operating profit of HK$171,173,000, contributing a profit of HK$55,864,000 to the Group.

Guangdong Financial Leasing Co., Ltd. ("Guangdong Financial Leasing"), a 25%-owned associate of the Group, continued to achieve stable growth in business. As at 31 December 2015, Guangdong Financial Leasing recorded net operating profit of HK$63,114,000, contributing a profit of HK$15,778,000 to the Group, representing an increase of 1.3 times as compared to that of last year.

On 23 October 2015, Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited, a wholly-owned subsidiary of the Group, acquired 5% equity interest in Guangdong Certificate Authority Company Limited through the listing-for-sale process at a consideration of RMB4,038,033 and, on 28 October 2015, injected additional capital of RMB3,500,000 into Guangdong Certificate Authority Company Limited in proportion to its stake in accordance with the provisions of the shareholders' capital injection agreement.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2015, the Group had total assets of HK$1,352,241,000 (2014: HK$1,458,734,000). The Group had bank loans and other long-term liabilities of HK$256,001,000 (2014: HK$336,337,000). Net assets amounted to HK$974,419,000 (2014: HK$995,582,000). Gearing ratio (being bank loans and long-term borrowings divided by total assets) was 18.9% (2014: 23.1%). Net assets per share amounted to HK56.91 cents (2014: HK58.14 cents).

The Group's net current assets amounted to HK$76,284,000 (2014: HK$94,776,000). Current ratio (being current assets divided by current liabilities) was approximately 1.53 times (2014: 1.39 times), while bank balances and cash amounted to HK$158,952,000 (2014: HK$267,826,000). There will be sufficient funds to meet the capital requirements for the Group's operations and new projects or business development in the future.

PLEDGE OF ASSETS

For the year ended 31 December 2015, self-occupied and investment properties of the Group with a carrying amount of approximately HK$320,147,000 were pledged to bank as the security for the bank borrowings granted to the Group (2014: certain bank deposits of the Group with a carrying amount of approximately HK$122,467,000 and investment property with a consideration of approximately HK$252,500,000 were pledged to bank).

CHAIRMAN'S STATEMENT (Continued)

FOREIGN EXCHANGE EXPOSURE

The Group's main operating income and costs are denominated in Renminbi ("RMB"). During the Group's operating process, the foreign exchange fluctuation of the income and costs can be mutually offset. However, due to the Hong Kong based Group putting a great deal of business loans into wholly-owned subsidiaries and the great amount of RMB-denominated monetary assets owned by the Group, the RMB appreciation or depreciation should bring exchange gain and loss respectively. It is expected that, when the exchange rate of Renminbi to HK dollar appreciates or depreciates by 5%, it will cause an increase or decrease of approximately HK$12,956,000 in the profit of this year. In retrospect of the past few years, Renminbi was always in the trend of appreciation, and gradually became stable until the second half of 2008 and still maintained upward momentum. But the exchange rate of RMB started to trend downward to a limited extent last year, resulting in an exchange loss of approximately HK$10,510,000 by the Group. The Board believes that the chance of significant Renminbi depreciation will not be high and will not bring material adverse foreign exchange exposure to the Group in the long run. Accordingly, it is unnecessary for the Group to hedge against any foreign exchange risk.

OUTLOOK

Looking ahead into the next year, the Group will continue to make full use of existing resources, explore new room for business expansion as well as improve assets' value and operational efficiency. At the same time, the Group will uphold its stable principle in its efforts on surveying and identifying projects with potentials for long-term development and stable income prospects so as to achieve the goals of continued development of the Group and improving returns for shareholders.

CORPORATE GOVERNANCE REPORT

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

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

For the year ended 31 December 2015, the Company has complied with all code provisions under the CG Code.

CORPORATE GOVERNANCE STRUCTURE

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

THE COMPOSITION OF THE BOARD

The Board currently comprises eight directors, including five executive directors who have extensive experience in the Company's business, and three independent non-executive directors who possess appropriate professional qualifications. Throughout the year 2015 and up to the date of this report, the composition of the Board is set out below:

Executive Directors
Mr. He Xiangming *(Chairman)*
Mr. Lin Pingwu *(Managing Director)* (appointed on 20 January 2016)
Mr. You Guang Wu *(Director)*
Mr. Huang Zhihe *(Deputy Managing Director)*
Ms. Wang Xin *(Deputy Managing Director)*
Mr. Su Wenzhao *(Managing Director)* (resigned on 20 January 2016)

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

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

CORPORATE GOVERNANCE REPORT (Continued)

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

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

Individual information and responsibilities of all directors are contained in this annual report on pages 20 to 22.

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

THE OPERATION OF THE BOARD

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (Continued)

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

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

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

All members of the Board have actively participated in the Company's Board meetings to discuss the overall strategy and business of the Group. The Board convened 8 meetings in 2015 and the attendance of directors is as follows:

Name of Directors	**Attendance/ Number of Meetings**	**Attendance Rate**
Executive Directors		
Mr. He Xiangming *(Chairman)*	8/8	100%
Mr. Su Wenzhao *(Managing Director)*	8/8	100%
Mr. You Guang Wu *(Director)*	8/8	100%
Mr. Huang Zhihe *(Deputy Managing Director)*	8/8	100%
Ms. Wang Xin *(Deputy Managing Director)*	7/8	88%
Independent Non-Executive Directors		
Mr. Chan Kwok Wai	8/8	100%
Mr. Chen Da Cheng	7/8	88%
Mr. Deng Hong Ping	8/8	100%

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Any director is not allowed to participate in determining his/her own remuneration. The remuneration received by directors from the Group during the year is set out in note 12 to the financial statements.

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

CORPORATE GOVERNANCE REPORT (Continued)

ROLES AND DUTIES OF CHAIRMAN AND MANAGING DIRECTOR

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

In 2015, the chairman was Mr. He Xiangming and the managing director was Mr. Su Wenzhao. The deputy managing directors were Mr. Huang Zhihe and Ms. Wang Xin.

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

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

TRAININGS OF DIRECTORS

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

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

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the directors, all directors have participated in continuous professional development for the year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT (Continued)

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. After making specific enquiries, all directors have confirmed that, in respect of the year ended 31 December 2015, they have complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

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

In 2015, the audit committee convened two meetings. Members and their attendance are as follows:

Name of Members	**Attendance/ Number of Meetings**	**Attendance Rate**
Chan Kwok Wai *(Chairman of the audit committee)*	2/2	100%
Chen Da Cheng	2/2	100%
Deng Hong Ping	2/2	100%

Tasks undertaken by the audit committee during the year included reviewing the 2014 audited financial statements and the annual results announcement, reviewing the interim report and the interim results announcement for the six months ended 30 June 2015, considering the accounting standards adopted, reviewing the financial reporting, internal control and risk management system, reviewing the management letter about audit work of the auditor submitted to the management and the response of the management and the basis of opinion made by the auditor in their report, etc.

CORPORATE GOVERNANCE REPORT (Continued)

REMUNERATION COMMITTEE

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

In 2015, the remuneration committee convened two meetings. Members and their attendance are as follows:

Name of Members	Attendance/ Number of Meetings	Attendance Rate
Chen Da Cheng *(Chairman of the remuneration committee)*	2/2	100%
Chan Kwok Wai	2/2	100%
Deng Hong Ping	2/2	100%
He Xiangming	2/2	100%
You Guang Wu	2/2	100%

Note: On 20 January 2016, Mr. You Guang Wu ceased to act as member of the remuneration committee of the Company. On the same date, Mr. Lin Pingwu was appointed as member of the remuneration committee of the Company.

Tasks undertaken by the remuneration committee during the year included reviewing the emoluments and incentive scheme of the Group, determining the emoluments of the directors and senior management and considering the incentive payment for the year ended 2014 and making recommendations to the Board. The remuneration committee also ensures that no director or senior management member determines his/her own remuneration.

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE REPORT (Continued)

In 2015, the nomination committee convened one meeting and members and their attendance are as follows:

Name of Members	**Attendance/ Number of Meetings**	**Attendance Rate**
He Xiangming *(Chairman of the nomination committee)*	1/1	100%
You Guang Wu	1/1	100%
Chan Kwok Wai	1/1	100%
Chen Da Cheng	1/1	100%
Deng Hong Ping	1/1	100%

Note: On 20 January 2016, Mr. You Guang Wu ceased to act as member of the nomination committee of the Company. On the same date, Mr. Lin Pingwu was appointed as member of the nomination committee of the Company.

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

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The nomination committee has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. The term of office of Mr. Chan Kwok Wai and Mr. Chen Da Cheng is for two years until 21 September 2016. The term of office of Mr. Deng Hong Ping is for two years until 5 April 2016, which will be extended to 5 April 2018. They are subject to the retirement and re-election requirements of the bye-laws of the Company.

BOARD DIVERSITY POLICY

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

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

CORPORATE GOVERNANCE REPORT (Continued)

INTERNAL CONTROL

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

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2015 were effective. The review has also considered the sufficiency and adequacy of human resources, qualification, experience of staff of the accounting and financial reporting functions and their training programmes and budget. The results of the review and its recommendations had been submitted for consideration by the audit committee and the Board. The audit committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

COMPANY SECRETARY

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

CONSTITUTIONAL DOCUMENTS

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

ACCOUNTABILITY AND AUDIT

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

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

For the year ended 31 December 2015, the audit fee was approximately HK$1,100,000 and the non-audit services fee was approximately HK$4,200.

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

CORPORATE GOVERNANCE REPORT (Continued)

COMMUNICATION WITH SHAREHOLDERS

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

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

At the annual general meeting held on 28 May 2015, all of the directors were present to answer questions raised by shareholders and separate resolution in respect of each separate issue was proposed for shareholders to vote thereon. The Company appointed branch share registrar of the Company to act as scrutineers and to ensure votes cast are properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the bye-laws of the Company and the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for special general meetings requisitioned by the shareholders

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

CORPORATE GOVERNANCE REPORT (Continued)

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

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

Procedures for shareholders to put forward proposals at general meetings

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

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

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

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 35 to the financial statements.

BUSINESS REVIEW

The Group's fair review of the business during the year and discussion on the future business development of the Group are set out in the "CHAIRMAN'S STATEMENT" on page 4 to 6 of this report. In addition, the description on the principal risks and uncertainties which the Group is exposed to and the relationships with its suppliers, customers and key stakeholders, and the discussions on the Group's environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group will be introduced in details in below paragraphs and the section on employees under page 25 of this report.

There are no important events affecting the Group that have occurred since the end of 31 December 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks.

The details of financial risk management policies and practices of the Group is set out in note 5 to the financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The hotel management will implement a membership program to enhance relationships with individual and corporate customers, which enjoys good relationship with suppliers and customers. During the year of 2015, there were no material and significant dispute between the Group and its suppliers and/or customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group's managed hotels. Such initiatives include recycling of used papers, energy saving measures and water saving practices.

DIRECTORS' REPORT (Continued)

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries established in the mainland China while the Company itself is incorporated in Bermuda with its shares listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, mainland China and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China, Hong Kong and the Bermuda that have a significant impact on the Group.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. No revaluation surplus nor deficit was incurred during the year (2014: a surplus of HK$7,895,000). Details of such revaluation are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year of the Group's property, plant and equipment are set out in note 17 to the financial statements.

Particulars regarding the Group's major properties are set out on pages 105 and 106.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 32 and note 37 to the consolidated financial statements.

DIRECTORS' REPORT (Continued)

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company had no reserves available for cash distribution and/or distribution in specie, except that under the laws of Bermuda, the Company's share premium account, in the amount of approximately HK$725,199,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive Directors
Mr. He Xiangming *(Chairman)*
Mr. Lin Pingwu *(Managing Director)* (appointed on 20 January 2016)
Mr. You Guang Wu *(Director)*
Mr. Huang Zhihe *(Deputy Managing Director)*
Ms. Wang Xin *(Deputy Managing Director)*
Mr. Su Wenzhao *(Managing Director)* (resigned on 20 Januray 2016)

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

In accordance with the provisions of the Company's Bye-laws, Mr. Lin Pingwu, Mr. You Guang Wu, Mr. Huang Zhihe and Mr. Deng Hong Ping shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Su resigned on 20 January 2016 as executive director of the Company. Mr. Su has confirmed that he has no disagreement with the Board and nothing relating to the affairs of his resignation needed to be brought to the attention of the Shareholders of the Company.

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

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

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

He Xiangming, aged 49, was appointed as an executive director and chairman of the Board of the Company on 23 July 2014. Mr. He is the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. He holds a master degree in Geography from South China Normal University. He has extensive experience in business management and environmental public utilities. Prior to joining the Company, Mr. He was the chairman of Grandblue Environment Co., Ltd. (a company listed on the Shanghai Stock Exchange). He is also the chairman of the board of directors of Guilin Plaza, the chairman of the board of directors and legal representative of Foshan City Nanhai Canmanage Investments Holdings Limited, and a director in a number of subsidiaries of the Company.

Lin Pingwu, aged 48, was appointed as an executive director and the managing director of the Company on 20 January 2016. He is a member of the nomination committee and the remuneration committee of the Company, and a director in a number of subsidiaries of the Company. Mr. Lin holds a degree in History from South China Normal University. He has extensive experience in business management and finance. He worked as 南海市教育局計財科科長(Chief of the Planning and Finance Section of Nanhai Education Office*), manager of a company which engaged in the education industry, 南海區西樵鎮鎮長 (Township Head of Xiqiao Town, Nanhai District*), 南海區外事僑務局（旅遊局）局長(Director of Nanhai Foreign Affairs & Overseas Chinese Affairs Office (Travel and Tourism Administration*)), 南海區委副秘書長 (Deputy Secretary-General of Nanhai District Committee*), 南海區法制辦公室主任 (Director of Nanhai Legislative Office*) and 南海區財政局常務副局長 (Deputy Director of Nanhai Finance Office*).

You Guang Wu, aged 51, was appointed as independent non-executive director of the Company on 22 September 2004 until 6 April 2006 when he was redesignated as vice chairman of the board and executive director of the Company. On 26 February 2009, Mr. You was appointed as the chairman of the board and on 23 July 2014 resigned as the chairman of the board. Mr. You is now an executive director of the Company and a director in a number of subsidiaries of the Company. Mr. You is a senior accountant in the PRC. He holds a master degree in economics. He has accumulated extensive experience in investment, financing and financial management.

Huang Zhihe, aged 47, was appointed as an executive director and the deputy managing director of the Company on 5 August 2013. Mr. Huang is also the managing director of Foshan City Nanhai Canmanage Investments Holdings Limited and a director in a number of subsidiaries of the Company. Mr. Huang holds a bachelor degree in industrial management and engineering and a master of business administration from South China University of Technology. He has extensive experience of investment and development in real estate and management in hotel industry.

Wang Xin, aged 44, was appointed as an executive director and the deputy managing director of the Company on 1 May 2014. Ms. Wang holds a master degree in economics from Jiangxi University of Finance and Economics. She has extensive experience in corporate business operation, strategic financial planning and management, team building and management innovation.

* *For identification purpose only*

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Chan Kwok Wai, aged 57, was appointed as an independent non-executive director of the Company on 22 September 2004 and is the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 30 years of experience in the finance and accounting industry. Mr. Chan is also currently independent non-executive director of 4 listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited and Far East Consortium International Limited. He was an independent non-executive director of Junefield Department Store Group Limited (a listed company in Hong Kong) until 29 May 2013.

Chen Da Cheng, aged 51, was appointed as an independent non-executive director of the Company on 22 September 2004 and is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Chen graduated from the Sun Yat-sen University, PRC. He is a practicing solicitor in the PRC and the chairman of the Foshan Lawyers Association. He has over 26 years of experience in legal services.

Deng Hong Ping, aged 42, was appointed as an independent non-executive director of the Company on 6 April 2006 and is a member of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Deng holds a Bachelor Degree in marine engineering of the Ocean University of China in Guangdong and graduated in master of economics and legal studies of Huazhong University of Science and Technology. Mr. Deng is a practicing lawyer in the PRC and he has accumulated extensive experience in legal sectors, particularly in enterprises mergers and acquisition and debt reorganization.

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

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Nature of Interest	Number of ordinary shares held	Approximate percentage of total issued shares as at 31 December 2015
He Xiangming	Beneficial owner	Personal	1,441,000	0.08%

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Names	**Number of shares/ underlying shares**	*Notes*	**Capacity**	**Approximate percentage of total issued shares as at 31 December 2015**
廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*)	1,243,554,272	*1*	Corporate interest	72.62%
Nam Keng Van Investment Company Limited	121,864,487	*2*	Beneficial owner	7.12%
Cui Guo Jian	121,864,487	*2*	Corporate interest	7.12%
Pu Jian Qing	121,864,487	*2*	Corporate interest	7.12%

Notes:

1. These 1,243,554,272 shares comprises (i) 1,024,827,957 shares held by Prize Rich Inc. which was wholly-owned by 廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*); and (ii) 218,726,315 new shares to be allotted and issued by the Company to Prize Rich Inc. upon the exercise of conversion rights attaching to the convertible bonds issued by the Company to Prize Rich Inc. pursuant to an acquisition agreement as part of the consideration.

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

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

* *For identification purpose only*

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTION

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

On 23 October 2015, Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited, a wholly-owned subsidiary of the Group, entered into an acquisition agreement with Guangdong Certificate Authority Company Limited. It acquires 5% equity interest in Guangdong Certificate Authority Company Limited held by Guangdong Nanhai Holding Investment Co., Ltd. ("Nanhai Holding") at the consideration of RMB4,038,000. It also injects an additional capital of RMB3,500,000 into Guangdong Certificate Authority Company Limited. Nanhai Holding is a controlling shareholder of the Company. As Guangdong Certificate Authority Company Limited is a subsidiary of Nanhai Holding, Guangdong Certificate Authority Company is a connected person of the Company, the acquisition and the capital injection constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

SHARE OPTION SCHEME

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

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

For details of terms of the Share Option Scheme, please refer to note 29 to the financial statements.

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

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

PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the year, no charitable donations were made within the Group (2014: Nil).

DIRECTORS' REPORT (Continued)

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 6.4% of the Group's purchases and the five largest suppliers accounted for 19.5% of the Group's total purchases. The largest customer accounted for 9.4% of the Group's turnover and the five largest customers accounted for 15.3% of the Group's total turnover.

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

EMPLOYEES

The total number of employees of the Group is approximately 191 (2014: 193). The remuneration of the employees of the Group is determined on the basis of performance and responsibility of the employees. The Group provides education allowances to the employees. The Group also provides internal training to its employees to enable them to achieve self-improvement and to enhance their job related skills. The Group also operates a share option scheme, under which qualified employees may exercise their options at an agreed price to subscribe for shares of the Company.

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.

PERMITTED INDEMNITY

The Company's Articles of Association provided that the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

EQUITY-LINKED AGREEMENTS

Save for the convertible notes and share option scheme as disclosed in notes 26 and 29 to the financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2015.

DIRECTORS' REPORT (Continued)

AUDITOR

On 16 January 2013, HLM & Co. resigned as the auditor due to change of entity status from partnership to limited company. At the special general meeting of the Company held on 22 February 2013, HLM CPA Limited was appointed as auditor. The consolidated financial statements for the year ended 31 December 2015 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming annual general meeting.

On behalf of the Board
China Investments Holdings Limited

He Xiangming
Chairman

Hong Kong, 23 March 2016

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the consolidated financial statements of China Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 103, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its 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.

HLM CPA Limited
Certified Public Accountants
Yuen Suk Ching
Practicing Certificate Number P1107
Hong Kong, 23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	6	**39,275**	32,448
Cost of sales and services		**(22,446)**	(19,523)
Gross profit		**16,829**	12,925
Other operating income	8	**5,843**	7,662
Selling and distribution costs		**(1,484)**	(1,646)
Administrative expenses		**(54,574)**	(54,355)
Increase in fair value of investment properties		**–**	7,895
Impairment loss on property, plant and equipment		**(1,440)**	–
Impairment loss on available for sale financial asset		**(73)**	–
Gain on bargain purchase		**–**	86,388
Share of profits of associates		**71,642**	22,034
Finance costs	9	**(23,159)**	(5,229)
Profit before taxation		**13,584**	75,674
Income tax (expense)/credit	10	**(7,811)**	5,364
Profit for the year and attributable to owners of the Company	11	**5,773**	81,038
Other comprehensive expenses, net of income tax			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of hotel properties		**3,930**	2,897
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,076)**	(4,123)
Share of exchange difference of associates		**(28,790)**	(4,428)
Other comprehensive expenses for the year, net of income tax		**(26,936)**	(5,654)
Total comprehensive (expenses)/income for the year and attributable to owners of the Company		**(21,163)**	75,384
Earnings per share	15		
Basic		**HK0.34cent**	HK6.22 cent
Diluted		**HK0.34cent**	HK6.22 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties	*16*	**322,263**	291,304
Property, plant and equipment	*17*	**176,253**	137,177
Interests in associates	*18*	**624,951**	694,625
Available for sale financial asset	*19*	**9,117**	–
		1,132,584	1,123,106
Current assets			
Properties held for sale	*20*	**55,028**	57,454
Inventories	*21*	**1,063**	1,284
Trade and other receivables	*22*	**4,614**	9,064
Pledged bank deposit	*23*	**–**	122,467
Bank balances and cash	*23*	**158,952**	145,359
		219,657	335,628
Current liabilities			
Trade and other payables	*24*	**104,462**	105,267
Tax payables		**8,250**	19,141
Bank loans	*25*	**30,661**	116,444
		143,373	240,852
Net current assets		**76,284**	94,776
Total assets less current liabilities		**1,208,868**	1,217,882
Capital and reserves			
Share capital	*28*	**171,233**	171,233
Reserves		**803,186**	824,349
Total equity		**974,419**	995,582

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bank loans	*25*	**116,873**	122,424
Convertible notes	*26*	**108,467**	97,469
Deferred tax liabilities	*27*	**9,109**	2,407
		234,449	222,300
		1,208,868	1,217,882

The consolidated financial statements on pages 29 to 103 were approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

HE XIANGMING
Director

LIN PINGWU
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 *(Note 38(i))*	Statutory reserve* HK$'000 *(Note 38(ii))*	Hotel properties revaluation reserve HK$'000 *(Note 38(iii))*	Exchange reserve HK$'000 *(Note 38(iv))*	Convertible note equity reserve HK$'000 *(Note 38(v))*	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
The GROUP								
At 1 January 2014	118,833	484,159	31,753	39,580	(46,995)	–	(35,272)	592,058
Profit for the year	–	–	–	–	–	–	81,038	81,038
Other comprehensive income/(expenses) for the year								
– Surplus on revaluation of hotel properties	–	–	–	2,897	–	–	–	2,897
– Release of revaluation reserve of hotel properties	–	–	–	(1,342)	–	–	1,342	–
– Exchange differences arising on translations of foreign operations	–	–	–	–	(4,123)	–	–	(4,123)
– Share of exchange differences of associates	–	–	–	–	(4,428)	–	–	(4,428)
Other comprehensive expenses for the year	–	–	–	1,555	(8,551)	–	1,342	(5,654)
Total comprehensive income for the year	–	–	–	1,555	(8,551)	–	82,380	75,384
Transfer to statutory reserve	–	–	15,345	–	–	–	(15,345)	–
Issue of ordinary shares	52,400	241,040	–	–	–	–	–	293,440
Recognition of the equity component of convertible notes	–	–	–	–	–	34,700	–	34,700
At 31 December 2014	171,233	725,199	47,098	41,135	(55,546)	34,700	31,763	995,582
At 1 January 2015	**171,233**	**725,199**	**47,098**	**41,135**	**(55,546)**	**34,700**	**31,763**	**995,582**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**5,773**	**5,773**
Other comprehensive income/(expenses) for the year								
– Surplus on revaluation of hotel properties	**–**	**–**	**–**	**3,930**	**–**	**–**	**–**	**3,930**
– Release of revaluation reserve of hotel properties	**–**	**–**	**–**	**(1,444)**	**–**	**–**	**1,444**	**–**
– Exchange differences arising on translations of foreign operations	**–**	**–**	**–**	**–**	**(2,076)**	**–**	**–**	**(2,076)**
– Share of exchange differences of associates	**–**	**–**	**–**	**–**	**(28,790)**	**–**	**–**	**(28,790)**
Other comprehensive expenses for the year	**–**	**–**	**–**	**2,486**	**(30,866)**	**–**	**1,444**	**(26,936)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**2,486**	**(30,866)**	**–**	**7,217**	**(21,163)**
Transfer to statutory reserve	**–**	**–**	**16,760**	**–**	**–**	**–**	**(16,760)**	**–**
At 31 December 2015	**171,233**	**725,199**	**63,858**	**43,621**	**(86,412)**	**34,700**	**22,220**	**974,419**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
Profit for the year	**5,773**	81,038
Adjustment for:		
Interest income	**(5,637)**	(6,980)
Interest expense	**23,159**	5,229
Income tax expenses/(credit)	**7,811**	(5,364)
Share of profits of associates	**(71,642)**	(22,034)
Gain arising on change in fair value of investment properties	**–**	(7,895)
Net loss/(gain) on disposal of investment properties	**630**	(352)
Gain on disposal of financial assets through profit or loss	**–**	(1)
Loss on disposal of property, plant and equipment	**18**	14
Gain on bargain purchase	**–**	(86,388)
Depreciation of property, plant and equipment	**9,649**	8,758
Impairment loss on property, plant and equipment	**1,440**	–
Impairment loss on trade and other receivables	**11**	10
Impairment loss on available held for sale financial asset	**73**	–
Net foreign exchange loss	**10,510**	8,920
Operating cash flow before movements in working capital	**(18,205)**	(25,045)
Decrease in inventories	**221**	306
Decrease in properties held for sale	**2,426**	124
Decrease/(increase) in trade and other receivables	**657**	(1,605)
(Decrease)/increase in trade and other payables	**(404)**	73
Cash used in operations	**(15,305)**	(26,147)
Tax paid	**(11,134)**	(4,523)
Net cash used in operating activities	**(26,439)**	(30,670)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(10,304)**	(2,077)
Purchase of investment properties	**(77,097)**	(121,955)
Purchase of available for sale financial asset	**(9,190)**	–
Deposit paid for purchase of property	**–**	(2,000)
Decrease in time deposits with more than three months to maturity when placed	**62,743**	61,718
Dividend received	**112,526**	–
Release of pledged bank deposit	**122,467**	–
Placement of pledged bank deposit	**–**	(122,467)
Interest received	**7,419**	8,459
Net cash flow from disposal of investment properties	**(326)**	477
Net proceeds from disposal of property, plant and equipment	**12**	49
Net proceeds from disposal of financial assets through profit or loss	**–**	2
Acquisition of an associate	**–**	(191,977)
Net cash inflow on acquisition of subsidiary	**–**	4,907
Net cash generated from/(used in) investing activities	**208,250**	(364,864)
Financing activities		
Interest paid	**(12,562)**	(1,908)
Repayment of bank loan	**(116,830)**	–
Proceeds from borrowings	**31,160**	238,868
Net cash (used in)/generated from financing activities	**(98,232)**	236,960
Net increase/(decrease) in cash and cash equivalents	**83,579**	(158,574)
Cash and cash equivalents at 1 January	**79,036**	250,847
Effect of foreign exchange rates changes	**(7,243)**	(13,237)
Cash and cash equivalents at 31 December	**155,372**	79,036
Analysis of the balances of cash and cash equivalents, being:		
Bank balances and cash	**158,952**	145,359
Less: time deposit with maturity over three months	**(3,580)**	(66,323)
	155,372	79,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

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

During the year, the principal activities of the Group are property development and investment, hotel operation and investment holding. The principal activities of the Company and its subsidiaries (the "Group") are described in note 35.

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

Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

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

In the current year, the Group has adopted the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 January 2015.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendments)	Defined benefit plans: Employee Contributions

The adoption of the new or revised HKFRSs has no material effect on the Group's financial performance and positions for the current or prior accounting period. Accordingly, no prior period adjustment is required.

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

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

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
3 The original effective date has been deferred to a date yet to be determined.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value

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

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

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

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Business combination

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

Investments in subsidiaries

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

Investments in associates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

Property, plant and equipment

i. Hotel properties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

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

Land and buildings	2% to 10%
Furniture, equipment and leasehold improvements	10% to 30%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

iii. Construction in progress

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

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

Properties held for sale

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

Financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

Available for sale ("AFS") financial assets

AFS financial assets are non-derivative that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividend on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

Convertible notes

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Other financial liabilities

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

Effective interest method

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

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

Derecognition

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

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

Impairment losses of tangible and intangible assets (other than goodwill)

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

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

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

Revenue recognition

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

(i) Hotel operations

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

(ii) Sales of goods

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

(iii) Sales of properties

Revenue from the sale of properties is recognized when the legally binding sales contracts are signed and the customers take possession of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(iv) Rental income

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

(v) Interest income

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

(vi) Dividend income

Dividend income from investment is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

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

Leases

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

The Group as lessor

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

The Group as lessee

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

Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. 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 the Group;

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

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

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties

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

Deferred taxation on hotel properties

By comparing the initial cost and the revaluated value of PRC hotel properties of the Group, the Directors considered that no capital gain may generate and does not constitute a timing difference and not expect to settle the carrying amount of the tax liabilities. Therefore, deferred tax has not been recognised in respect of the valuation surplus relating to hotel properties.

Key sources of estimation uncertainty

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

Estimated the useful lives of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment

Machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the machinery and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2015 the Group reported an impairment loss of HK$1,440,000 for certain properties (2014: nil).

Impairment of hotel properties

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

Estimation of fair value of the Group's other assets and liabilities

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5, 16, 17 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

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

Key sources of estimation uncertainty (Continued)

Estimation of fair value of the Group's properties

The Group's properties were revalued as at 31 December 2015 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate of fair value, the Group considers information from current prices in an active market for similar properties in the same location and condition and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying amount of investment properties and hotel properties at 31 December 2015 were HK$322,263,000 and HK$112,000,000 respectively (2014: HK$291,304,000 and HK$112,000,000).

Estimation of net realisable value of properties held for sale

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

Estimated impairment of inventories

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

Estimated allowance for doubtful debts of trade and other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

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

Key sources of estimation uncertainty (Continued)

Estimated allowance for doubtful debts of trade and other receivables *(Continued)*

The carrying amount of trade and other receivable at 31 December 2015 is HK$4,614,000 (2014: HK$9,064,000). Details of the recoverable amount calculation are disclosed in note 22 respectively.

5. FINANCIAL RISK MANAGEMENT

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

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Renminbi ("RMB") and Hong Kong Dollars. The effect of exchange rate fluctuation on earned revenue and incurred cost would be able to offset each other in the business operation of the Group. In past several years, the exchange rates of Renminbi to Hong Kong Dollars kept on increasing till the second half of 2008 when it became stable. The Directors expect that Renminbi's exchange rate will remain stable and will not cause material adverse foreign exchange risk on the Group. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

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

	At 31 December	
	2015	2014
	HK$'000	HK$'000
Assets		
Denominated in Renminbi	**160,956**	267,353
Denominated in US dollars	**175**	330
	161,131	267,683
Liabilities		
Denominated in Renminbi	**156,246**	167,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Exposure (Continued)

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

	At 31 December	
	2015	2014
	HK$'000	HK$'000
Increase/decrease in profit for the year	**12,956**	17,621

Capital risk management

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management (Continued)

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

	2015 HK$'000	2014 HK$'000
Debts *(Note 1)*	**256,001**	336,337
Bank balances and cash and pledged bank deposit	**(158,952)**	(267,826)
Net debt	**97,049**	68,511
Equity *(Note 2)*	**974,419**	995,582
Net debt-to-equity ratio	**10%**	7%

Notes:

1) Debts comprises long-term and short-term bank loans and debt component of convertible notes as detailed in notes 25 and 26 respectively.

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

Interest rate risk

The Group's fair value interest rate risk relates primarily to variable interest rate borrowings from bank (see note 25 for details of these borrowings). The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting period. The analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease in PBOC base interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would increase/decrease by HK$617,000 (2014: HK$63,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

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

As at 31 December 2015, the Group's net current assets amounted to HK$76,284,000 (2014: HK$94,776,000), current ratio (being current assets divided by current liabilities) was approximately 1.53 times (2014: 1.39 times), while total current assets amounted to HK$219,657,000 (2014: HK$335,628,000), which is sufficient to meet the capital requirement of the Group's operations and development in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

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

	2015							
	Weighted average interest rate %	**On demand HK$'000**	**Within 1 year HK$'000**	**1-3 years HK$'000**	**4-5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carry amount HK$'000**
Trade and other payables	–	104,462	–	–	–	–	104,462	104,462
Borrowings								
– Short term borrowings	2.09	–	1,785	3,570	3,570	25,438	34,363	28,274
– Long term borrowings	6.15	7,334	9,684	34,938	34,499	81,416	167,871	119,260
Convertible notes issued on 13th October 2014	14.16	–	3,325	6,649	169,557	–	179,531	108,467
		111,796	14,794	45,157	207,626	106,854	486,227	360,463

	2014							
	Weighted average interest rate %	On demand HK$'000	Within 1 year HK$'000	1-3 years HK$'000	4-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carry amount HK$'000
Trade and other payables	–	105,267	–	–	–	–	105,267	105,267
Borrowings								
– Short term borrowings	2.20	116,363	–	–	–	–	116,363	113,944
– Long term borrowings	6.15	–	7,683	27,520	37,675	102,967	175,845	124,924
Convertible notes issued on 13th October 2014	14.16	–	3,325	6,649	172,881	–	182,855	97,469
		221,630	11,008	34,169	210,556	102,967	580,330	441,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Details of the Group's credit policies are included in note 22.

Fair value

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

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

	2015		2014	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liability				
Liability component of convertible notes	**108,467**	**108,467**	97,469	97,469

The fair value of the liability component of convertible notes is determined assuming as probability of early redemption and at a 14.16% discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value (Continued)

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

6. REVENUE

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

7. SEGMENT INFORMATION

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

Principal activities are as follows:

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

For the property investment operations, the management reviews the financial information of each property investment, hence each property investment constitutes a separate operating segment. However, the properties investment possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all properties investment are aggregated into one reportable segment for segment reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Continued)

Segment information is presented below:

	Segment Revenue		Segment result	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hotel operations	**22,655**	23,669	**(6,354)**	(5,832)
Property investment	**12,927**	3,604	**1,780**	925
Other operating segment	**3,693**	5,175	**(1,584)**	(1,500)
Total	**39,275**	32,448	**(6,158)**	(6,407)
Interest income			**5,637**	6,980
Increase in fair value of investment properties			**–**	7,895
Impairment loss on property, plant and equipment			**(1,440)**	–
Impairment loss on available for sale financial asset			**(73)**	–
Professional fee			**(1,637)**	(7,557)
Net central administration cost			**(20,718)**	(19,510)
Net exchange loss			**(10,510)**	(8,920)
Gain on bargain purchase			**–**	86,388
Share of profits of associates			**71,642**	22,034
Finance costs			**(23,159)**	(5,229)
Profit before taxation			**13,584**	75,674
Income tax (expense)/credit			**(7,811)**	5,364
Profit for the year			**5,773**	81,038

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	2015 HK$'000	2014 HK$'000 (restated)
Segment assets		
Hotel operations	**122,304**	125,736
Property investment	**393,368**	365,134
Other operating segment	**521**	1,368
Total segment assets	**516,193**	492,238
Pledged bank deposit	**–**	122,467
Bank balances and cash	**158,952**	145,359
Interests in associates	**624,951**	694,625
Available for sale financial asset	**9,117**	–
Unallocated assets	**43,028**	4,045
Consolidated assets	**1,352,241**	1,458,734
Segment liabilities		
Hotel operations	**3,759**	3,927
Property investment	**122,300**	127,555
Other operating segment	**176**	522
Total segment liabilities	**126,235**	132,004
Convertible notes	**187,287**	176,377
Bank loans	**28,274**	113,944
Unallocated liabilities	**36,026**	40,827
Consolidated liabilities	**377,822**	463,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Continued)

Other segment information

2015	**Hotel operations HK$'000**	**Property investment HK$'000**	**Other operating segment HK$'000**	**Total HK$'000**
Depreciation	**7,695**	**209**	**572**	**8,476**
Additions to property, plant and equipment	**551**	**9,717**	**–**	**10,268**
Additions to investment property	**–**	**79,097**	**–**	**79,097**
Loss on disposal of property, plant and equipment	**18**	**–**	**–**	**18**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Continued)

Geographical segments

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

Property investment is located in both PRC and Hong Kong.

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

	Revenue from external customer		Non-current assets*	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**36,437**	31,570	**328,205**	376,856
Hong Kong	**2,838**	878	**128,616**	51,413
	39,275	32,448	**456,821**	428,269

* *Non-current assets exclude interest in associates and available for sale financial asset.*

Information about major customers

For the year ended 31 December 2015, no single customer accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2014, included in revenue arising from the sales of wood chips of HK$5,175,000 are revenue of approximately HK$5,175,000 which arose from sales to the Group's largest customer (the other operating segments). No other single customer accounted for 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

8. OTHER OPERATING INCOME

Other operating income included the following items:

	2015	2014
	HK$'000	HK$'000
Bank interest income	**5,637**	6,980
Gain on disposal of financial assets through profit or loss	**–**	1

9. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on:		
Bank loans		
– wholly repayable within five years	**897**	1,543
– not wholly repayable within five years	**7,939**	787
Interest on convertible notes	**14,323**	2,899
	23,159	5,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

10. INCOME TAX (EXPENSE)/CREDIT

	2015 HK$'000	2014 HK$'000
Tax (charges)/credit comprise:		
Current tax – Provision for PRC Enterprise Income Tax	**(1,196)**	(10,801)
Over-provision for PRC Enterprise Income Tax	**432**	5,424
Deferred tax *(see note 27)*:		
Temporary differences arising in current year	**(7,047)**	10,741
	(7,811)	5,364

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2015 (2014: nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

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

	2015 HK$'000	2014 HK$'000
Profit before taxation	**13,584**	75,674
Tax at the rates applicable to profit in the countries concerned	**(246)**	(8,476)
Tax effect of share of profit of associates	**3,505**	3,636
Tax effect of non deductible expenses	**(8,255)**	(10,513)
Tax effect of non taxable revenue	**1,754**	17,230
Over-provided in previous year	**432**	5,424
Tax effect of tax loss not recognised	**(5,001)**	(1,937)
Tax effect for the year	**(7,811)**	5,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

11. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	HK$'000
Profit for the year has been arrived at after crediting/(charging):		
Depreciation of property, plant and equipment	**(9,649)**	(8,758)
Auditor's remuneration		
Audit service	**(1,100)**	(1,000)
Non-audit service	**(4)**	(1,272)
Loss on disposal of property, plant and equipment	**(18)**	(14)
Net gain on disposal of properties held for sale	**3,583**	206
Net (loss)/gain on disposal of investment property	**(630)**	352
Impairment loss on trade and other receivables	**(11)**	(10)
Net exchange loss	**(10,510)**	(8,920)
Total staff costs		
Directors' remuneration *(Note 12)*	**(5,979)**	(5,034)
Other staff cost	**(13,819)**	(14,659)
Retirement benefit schemes contributions for other staffs	**(118)**	(182)
	(19,916)	(19,875)
Gross rental income from investment properties	**4,871**	2,677
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**(22)**	(26)
Direct operating expenses from investment properties that did not generate rental income during the year	**(1,865)**	(287)
	2,984	2,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The emoluments paid or payable to each of the eight (2014: nine) Directors were as follows:

2015	**Fees HK$'000**	**Salaries and other benefits HK$'000**	**Performance-based or discretionary bonus HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Total HK$'000**
Mr. He Xiangming	**–**	**1,307**	**136**	**61**	**1,504**
Mr. You Guang Wu	**–**	**1,302**	**136**	**52**	**1,490**
Mr. Su Wenzhao	**–**	**1,142**	**120**	**50**	**1,312**
Mr. Huang Zhihe	**130**	**401**	**142**	**27**	**700**
Ms. Wang Xin	**130**	**384**	**142**	**17**	**673**
Mr. Chan Kwok Wai	**100**	**–**	**–**	**–**	**100**
Mr. Chen Da Cheng	**100**	**–**	**–**	**–**	**100**
Mr. Deng Hong Ping	**100**	**–**	**–**	**–**	**100**
	560	**4,536**	**676**	**207**	**5,979**

2014	Fees HK$'000	Salaries and other benefits HK$'000	Performance-based or discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Mr. He Xiangming	–	548	136	9	693
Mr. You Guang Wu	–	1,244	136	41	1,421
Mr. Su Wenzhao	–	1,114	120	44	1,278
Mr. Wu Yongqing	21	–	143	–	164
Mr. Huang Zhihe	125	354	226	8	713
Ms. Wang Xin	87	260	143	11	501
Mr. Chan Kwok Wai	88	–	–	–	88
Mr. Chen Da Cheng	88	–	–	–	88
Mr. Deng Hong Ping	88	–	–	–	88
	497	3,520	904	113	5,034

The Directors' emoluments disclosed above include their services in connection with the management of the affairs of the Group. No Directors had waived any emoluments for both years.

During the year ended 2015 and 2014, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (d) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

b. Directors' material interests, transactions, arrangements or contracts

No transactions, arrangements and contracts of significance to which the Group as a party and in which a Director of the Group had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

c. Loans, quasi-loans and other dealings in favour of directors

No loans, quasi-loans and other dealings in favour of directors of the Group or body corporate controlled by such directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year.

d. Five highest-paid individual

During the year, the five highest paid individuals included four Directors (2014: four Directors), details of whose emoluments are set out above. The emoluments of the other one individuals (2014: one individuals) were as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and other benefits	**725**	615
Retirement benefits scheme contributions	**18**	17
	743	632

The aggregate emoluments of the above one (2014: one) highest paid individual is less than HK$1,000,000.

13. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred. The total contribution to the scheme amounted to HK$156,754 (2014: HK$109,842) for the year and has been charged to the consolidated statement of profit or loss and other comprehensive income. Forfeited employer contributions in respect of former employees from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. There is no forfeited contribution utilised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

13. RETIREMENT BENEFIT SCHEME (Continued)

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

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1 December 2001 to provide an MPF Scheme to all employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK$30,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK$72,736 (2014: HK$67,770).

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

14. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 and 2014.

15. EARNINGS PER SHARE

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

	2015	2014
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**5,773**	81,038

	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,712,329**	1,303,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

15. EARNINGS PER SHARE (Continued)

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

For the year ended 31 December 2015, no dilutive earnings per share has been presented as the outstanding convertible notes for the year had no dilutive effect on the basic earnings per share as the conversion price was higher than the average market price of the Company's ordinary shares, and the conversion of the Company's outstanding convertible notes could only be converted into shares at any time following the third anniversary of the issue date up (i.e. 13 October 2017) to the maturity date on 13 October 2019.

16. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases HK$'000	**In Hong Kong held under medium-term leases** HK$'000	**Total** HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 1 January 2014	422	11,000	11,422
Additions	252,612	–	252,612
Acquisition through business combination	–	19,500	19,500
Disposals	(125)	–	(125)
Increase/(decrease) in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(105)	8,000	7,895
As at 31 December 2014 and 1 January 2015	**252,804**	**38,500**	**291,304**
Additions	**–**	**79,097**	**79,097**
Disposals	**(304)**	**–**	**(304)**
Transferred to property, plant and equipment	**(36,384)**	**–**	**(36,384)**
Exchange difference	**(11,450)**	**–**	**(11,450)**
As at 31 December 2015	**204,666**	**117,597**	**322,263**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES (Continued)

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

The Group acquired an investment property in Hong Kong at a total cost of HK$79,097,000 and paid a deposit of HK$2,000,000 in year 2014 upon signing the provisional agreement. The acquisition was completed on 18 March 2015.

The carrying amount of investment properties in the PRC amounting of HK$283,763,000 have been pledged to secure general banking facilities and mortgage loan to the Group.

Investment properties were revalued at their open market value at 31 December 2015 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuer, on an open market value basis. No revaluation surplus nor deficit was recognised in current year. (2014: surplus of HK$7,895,000).

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

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

The Group's investment properties were classified under level 2 of the fair value hierarchy. There were no transfers into or out of Level 2 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES (Continued)

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

	Fair Value Hierarchy	Valuation Technique(s) and key Input(s)	Significant Observable Inputs
Commercial units located in Hong Kong	Level 2	Direct comparison method The key inputs were: (1) saleable floor area of the property; and (2) unit rate (i.e. $ per square feet). Saleable floor areas of the property was based on developer's sale brochures, our scaling off of registered floor plans or information obtained from Rating and Valuation Department.	Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $5,303/ft2 Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $16,116/ft2 Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $17,120/ft2
Commercial units located in PRC	Level 2	Direct comparison method The key inputs were: (1) saleable floor area of the property; and (2) unit rate (i.e. $ per square feet). Saleable floor areas of the property was based on developer's sale brochures.	Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. The average unit rate adopted as at the date of valuation was: $1,202/ft2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT

2015

	Hotel properties in the PRC HK$'000	Buildings in HK and the PRC HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST AND VALUATION							
At 1 January 2015	112,000	13,000	–	31,581	18,049	3,607	178,237
Additions	–	–	1,716	8,487	102	–	10,305
Transferred from investment properties	–	36,384	–	–	–	–	36,384
Disposals and write off	–	–	–	(754)	(246)	(313)	(1,313)
Exchange difference	–	–	–	(1,301)	(810)	(80)	(2,191)
Impairment recognised during the year	–	(1,440)	–	–	–	–	(1,440)
At 31 December 2015	112,000	47,944	1,716	38,013	17,095	3,214	219,982
Comprising:							
At cost	–	47,944	1,716	38,013	17,095	3,214	107,982
At valuation – 2015	112,000	–	–	–	–	–	112,000
	112,000	47,944	1,716	38,013	17,095	3,214	219,982
DEPRECIATION							
At 1 January 2015	–	112	–	24,061	13,956	2,931	41,060
Provided for the year	3,930	876	–	3,598	936	309	9,649
Eliminated on disposals and write off	–	–	–	(716)	(243)	(324)	(1,283)
Exchange difference	–	–	–	(1,065)	(656)	(46)	(1,767)
Eliminated on revaluation	(3,930)	–	–	–	–	–	(3,930)
At 31 December 2015	–	988	–	25,878	13,993	2,870	43,729
CARRYING VALUES							
At 31 December 2015	112,000	46,956	1,716	12,135	3,102	344	176,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

2014

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

The carrying amount of property, plant and equipment amounting of HK$35,956,000 have been pledged to secure general banking facilities and mortgage loan to the Group in current year (2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings

The Group's hotel properties situated in the PRC were valued on 31 December 2015 and 31 December 2014 by Associated Surveyors & Auctioneers Ltd., an independent valuer not related to the Group.

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

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

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

If hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK$67,578,000 (2014: HK$70,082,000).

18. INTERESTS IN ASSOCIATES

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

	Guangdong Financial Leasing Co., Ltd 2015 HK$'000	**Nanhai Changhai Power Company Limited 2015 HK$'000**	**Total 2015 HK$'000**	Total 2014 HK$'000
Initial cost of investments in associates				
Unlisted	**191,977**	**485,042**	**677,019**	677,019
Less: Distribution from pre-acquisition profit	**–**	**(112,526)**	**(112,526)**	–
	191,977	**372,516**	**564,493**	677,019
Share of post-acquisition profits	**22,741**	**70,935**	**93,676**	22,034
Share of other comprehensive expenses	**(7,897)**	**(25,321)**	**(33,218)**	(4,428)
	206,821	**418,130**	**624,951**	694,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

18. INTERESTS IN ASSOCIATES (Continued)

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

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

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

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

Guangdong Financial Leasing Co., Ltd

	2015	2014
	HK$'000	HK$'000
Current assets	**1,959,359**	519,646
Non-current assets	**1,893,684**	600,748
Current liabilities	**(1,483,861)**	(25,188)
Non-current liabilities	**(1,541,898)**	(292,529)
Net asset value	**827,284**	802,677

	2015	2014
	HK$'000	HK$'000
Revenue	**179,953**	31,286
Profit for the year	**63,114**	27,852
Other comprehensive (expenses)/income for the year	**(38,507)**	6,919
Total comprehensive income for the year	**24,607**	34,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

18. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd (Continued)

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

	2015	2014
	HK$'000	HK$'000
Net assets of the associate	**827,284**	802,677
Proportion of the Group's ownership interest in Guangdong Financial Leasing Co.,Ltd	**25%**	25%
Carrying amount of the Group's interest in Guangdong Financial Leasing Co.,Ltd	**206,821**	200,669

Nanhai Changhai Power Company Limited

	2015	2014
	HK$'000	HK$'000
Current assets	**531,767**	602,987
Non-current assets	**1,117,853**	1,021,957
Current liabilities	**(368,427)**	(456,205)
Net asset value	**1,281,193**	1,168,739

	2015	2014
	HK$'000	HK$'000
Revenue	**1,006,713**	279,797
Profit for the year	**171,173**	46,179
Other comprehensive expenses for the year	**(58,719)**	(18,866)
Total comprehensive income for the year	**112,454**	27,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

18. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited (Continued)

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

	2015	2014
	HK$'000	HK$'000
Net assets of the associate	**1,281,193**	1,168,739
Proportion of the Group's ownership interest in Nanhai Changhai Power Company Limited	**32.636%**	32.636%
Carrying amount of the Group's interest in Nanhai Changhai Power Company Limited *(Note)*	**418,130**	493,956

Note:

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

19. AVAILABLE FOR SALE FINANCIAL ASSET

	2015	2014
	HK$'000	HK$'000
Unlisted investment, at cost	**9,117**	–

On 23 October 2015, the Group acquired 5% equity interest in Guangdong Certificate Authority Company Limited, a company was established in PRC, at the consideration of RMB4,030,000. The Group also entered into the capital injection agreement for the injection of additional capital of RMB3,500,000.

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that its fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

20. PROPERTIES HELD FOR SALE

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

The cost of properties held for sale recognised as expenses and included in cost of sales amounted to HK$2,426,000 (2014: HK$1,240,000) for the year ended 31 December 2015.

21. INVENTORIES

	2015	2014
	HK$'000	HK$'000
At Cost		
Food, beverages and hotel supplies	**1,063**	1,284

The cost of inventories recognised as expenses and included in cost of sales amounts to HK$12,788,000 (2014: HK$13,015,000) for the year ended 31 December 2015.

The Directors considered the provision for inventory obsolescence is not required. (2014: nil)

22. TRADE AND OTHER RECEIVABLES

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

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

	2015	2014
	HK$'000	HK$'000
0-60 days	**702**	683
61-90 days	**198**	202
91-120 days	**256**	181
Over 120 days	**114**	86
Trade receivables	**1,270**	1,152
Other receivables	**3,344**	7,912
	4,614	9,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

22. TRADE AND OTHER RECEIVABLES (Continued)

Other receivables included the following items:

	2015 HK$'000	2014 HK$'000
Deposit for the acquisition of property *(Note)*	–	2,000
Interest receivable	482	2,264
Utility deposit	680	680
Prepayment	578	1,790
Other receivables	1,604	1,178
	3,344	7,912

Note:

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

Of the trade receivables balance at the end of the year, HK$207,000 (2014: HK$253,000) was due from the Group's largest customer. There were six (2014: eight) other customers who, in aggregate, represented more than 5% of the total balance of trade receivables amounted to HK$663,000 (2014: HK$874,000).

At as 31 December 2015, trade receivables over 90 days amounted to HK$370,000 (2014: HK$267,000) were past due but not impaired as the balance were related to debtors with sound repayment history and no recent history of default.

An aging analysis of receivables that are past due but not impaired:

	2015 HK$'000	2014 HK$'000
91-120 days	256	181
Over 120 days	114	86
	370	267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

22. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts:

	2015 HK$'000	2014 HK$'000
Balance at the beginning of the year	**256**	252
Impairment recognised on receivables	**11**	10
Foreign exchange translation gains and losses	**(12)**	(6)
Balance at the end of the year	**255**	256

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

As at 31 December 2015, trade receivable over 120 days amounted to approximately HK$11,000 (2014: HK$10,000) were impaired and fully provided for.

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

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT

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

Bank balances are interest bearing at respective saving deposits rate in Hong Kong and the PRC, and the effective interest rates of the Group's bank balances ranged from 0.2% to 4.10% per annum in Hong Kong and ranged from 0.01% to 2.52% per annum in PRC. (2014: 0.2% to 3.22% per annum in Hong Kong and 1.13% to 3.47% in PRC) per annum.

Pledged bank deposit represents deposit per annum pledged to bank to secure banking facilities granted to the Group. No deposit has been pledged to secure a short-term bank loan in current year (2014: HK$122,467,000). The pledged bank deposit was released upon the settlement of relevant bank borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT (Continued)

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

	2015	2014
	HK$'000	HK$'000
Hong Kong Dollars	**1,571**	6,154
Renminbi	**157,206**	261,342
United States Dollars	**175**	330
	158,952	267,826

24. TRADE AND OTHER PAYABLES

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

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

	2015	2014
	HK$'000	HK$'000
0-60 days	**1,057**	941
61-90 days	**102**	126
91-120 days	**126**	113
Over 120 days	**119**	183
Trade payables	**1,404**	1,363
Other payables	**103,058**	103,904
	104,462	105,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

24. TRADE AND OTHER PAYABLES (Continued)

Other payables included the following items:

	2015 HK$'000	2014 HK$'000
Other tax payable	**9,438**	9,832
Payable on convertible notes and interest payable *(Note 1)*	**78,819**	78,908
Others *(Note 2)*	**14,801**	15,164
	103,058	103,904

Notes:

1 On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2015 and 2014, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK$3,819,000 (2014: HK$3,908,000), were reclassified as other payables and become repayable on demand.

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

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

25. BANK LOANS

	2015 HK$'000	2014 HK$'000
Secured	**147,534**	238,868
Carrying amount repayable:		
Within one year	**30,661**	116,444
More than one year, but not exceeding two years	**9,547**	10,000
More than two years, but not more than five years	**35,800**	37,500
More than five years	**71,526**	74,924
	147,534	238,868
Less: Amounts shown under current liabilities	**30,661**	116,444
	116,873	122,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

25. BANK LOANS (Continued)

During the year, the Group obtained a new short-term loan amounting to HK$29,160,000 (2014: HK$113,944,000) and unutilized revolving banking facility amounting to HK$29,000,000. It is secured by the Group's investment property of approximately HK$79,097,000 that is situated at unit No. 1, 14 & 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon.

According to HK Int 5 which requires the classification of whole instalment loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$28,274,000 (2014: nil) have been reclassified from non-current liabilities to current liabilities as at 31 December 2015.

The long-term bank loans of HK$119,259,000 (2014: HK$124,924,000) are secured by the Group's investment property in PRC and building in PRC grouped under property, plant and equipment with an aggregate carrying value of approximately HK$241,050,000 (2014: HK$252,500,000) that is situated at Block 1 of Guangdong-Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC. The long-term loans carry floating interest rate of the People's Bank of China. The weighted average effective rate of the long-term bank loans is 6.15% (2014: 6.15%) per annum and repayable within ten years. The proceeds were used to finance the purchase of that investment property.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.09% (2014: 2.1%-2.3%) and are within level 2 of the fair value hierarchy.

The Group's borrowings denominated in the following currencies:

	2015	2014
	HK$'000	HK$'000
HK dollar	**28,274**	17,000
US dollar	**–**	96,944
Renminbi	**119,260**	124,924
	147,534	238,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

26. CONVERTIBLE NOTES

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2015 and 2014, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to maturity, amounting to HK$3,819,000 (2014: HK$3,908,000), were reclassified as other payables and become repayable on demand.

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

The convertible notes certain two components, liability, and equity components. The equity component is presented in equity under leading "convertible note equity reserve". The values of the liability component and the equity conversion component were determined at the issuance of the notes.

	Liability component HK$'000
At 1 January 2014	–
Issue of convertible notes on 13 October 2014 (the "2014 CB")	94,570
Interest charged calculated at an effective interest rate of 14.16%	2,899
At 31 December 2014	97,469
At 1 January 2015	**97,469**
Interest charged calculated at an effective interest rate of 14.16%	**14,323**
Interest paid	**(3,325)**
At 31 December 2015	**108,467**

The fair value of the liabilities component of the convertible notes are calculated using cash flows discounted at market interest rate of 14.16% (2014: 14.16%) and are within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Undistributed profits of an associate HK$'000
At 1 January 2014	–
Acquisitions	13,314
Credit to profit or loss	(10,741)
Exchange difference	(166)
At 31 December 2014 and 1 January 2015	**2,407**
Credit to profit or loss	**7,047**
Exchange differences	**(345)**
At 31 December 2015	**9,109**

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

	2015 **HK$'000**	2014 HK$'000
Deferred tax liabilities	**9,109**	2,407

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

At the end of the reporting period, the Group has unused tax losses of HK$20,004,000 (2014: HK$7,748,000) available for offset against future profits. No deferred tax asset has been recognised in respect of that tax losses due to the unpredictability of future profit streams.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

27. DEFERRED TAX LIABILITIES (Continued)

As at 31 December 2015, the unrecognised deferred tax liabilities were approximately HK$17,900 (2014: approximately HK$13,300), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of theses PRC subsidiaries as at 31 December 2015 amounted to approximately HK$179,000 (2014: approximately HK$133,000).

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

28. SHARE CAPITAL

	Number of shares		Share Capital	
	2015	2014	**2015**	2014
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of year	**1,712,329,142**	1,188,329,142	**171,233**	118,833
Issue of shares	**–**	524,000,000	**–**	52,400
At the end of year	**1,712,329,142**	1,712,329,142	**171,233**	171,233

29. SHARE OPTION SCHEME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

29. SHARE OPTION SCHEME (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

29. SHARE OPTION SCHEME (Continued)

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

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

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

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2015	2014
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**1,038**	2,663

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

	2015	2014
	HK$'000	HK$'000
Within one year	**1,038**	1,625
In the second to fifth year inclusive	**–**	1,038
	1,038	2,663

Operating lease payments represent rentals payable by the Group for certain of its office properties with lease terms of within 1 year (2014: 1 to 2 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

30. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The Group's property rental income earned during the year was approximately HK$4,871,000 (2014: HK$2,677,000). All of the properties held have committed tenants more than one year (2014: more than are year).

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

	2015	2014
	HK$'000	HK$'000
Within one year	**4,358**	4,488
In the second to fifth year inclusive	**9,020**	10,674
Over five years	**4,757**	7,018
	18,135	22,180

31. COMMITMENTS

	2015	2014
	HK$'000	HK$'000
Commitments for the acquisition of the property, plant and equipment	**64**	70,988
Commitments for the refurbishment of the investment properties	**2,801**	2,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

32. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities to the Group or borrowings of the Group (see note 25):

	2015	2014
	HK$'000	HK'000
Investment property	**283,763**	252,500
Property, plant and equipment	**36,384**	–
Bank deposits	**–**	122,467
	320,147	374,967

33. RELATED PARTY TRANSACTION

On 23 October 2015, Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited, a wholly-owned subsidiary of the Group, entered into an acquisition agreement with Guangdong Certificate Authority Company Limited. It acquires 5% equity interest in Guangdong Certificate Authority Company Limited held by Nanhai Holding at the at a consideration of RMB4,038,000. It also injects an additional capital of RMB3,500,000 into Guangdong Certificate Authority Company Limited. Nanhai Holding is a controlling shareholder of the Company and Guangdong Certificate Authority Company Limited is a subsidiary of Nanhai Holding.*

Compensation of key management personnel

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

	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**6,173**	5,535
Post-employment employee benefits	**550**	129
	6,723	5,664

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

34. EVENT AFTER REPORTING PERIOD

After the year ended date, the Group signed a provisional sale and purchase agreement in respect of the sale of Unit 1401 of President Commercial Centre in Mongkok, Kowloon, Hong Kong, at a price of HK$5,100,000. The transaction is expected to be completed on or before 23 June 2016.

35. PRINCIPAL SUBSIDIARIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

35. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Percentage held	Principal activity
Foshan City Nanhai Canmanage Investments Holdings Limited* 佛山市南康美投資有限公司 *(Note)*	PRC	RMB$30,000,000	100	Property investment
Langmax Investment Limited	Hong Kong	HK$2	100	Property trading
Lina Development Limited	Hong Kong	HK$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK$2	100	Property trading
Nanli Power Company Limited	British Virgin Islands	US$100	100	Investment holding
Nantang Power Company Limited	British Virgin Islands	US$100	100	Investment holding
Rich Asset Development Limited	Hong Kong	HK$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK$2	100	Property trading
Senicon Investment Limited	Hong Kong	HK$2	100	Property trading
Sabrina Limited	British Virgin Islands/Hong Kong	US$1	100	Investment holding
Sino Sense Development Limited	Hong Kong	HK$2	100	Property trading
Southern Limited	Hong Kong	HK$10,000	100	Investment holding and property investment
Trener Investment Limited	Hong Kong	HK$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK$2	100	Property trading
Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited* 中創興科(深圳)投資有限公司 *(Note)*	PRC	RMB$8,000,000	100	Investment holding

Note: wholly foreign owned enterprise.

* *For identification propose only*

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

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

36. COMPARATIVE FIGURES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	2014
	HK$'000	HK$'000
Non-current asset		
Investment in subsidiaries	**23,607**	23,607
Current assets		
Amounts due from subsidiaries	**743,454**	728,553
Deposits and other receivables	**640**	1,127
Pledged bank deposit	**–**	122,467
Bank balances and cash	**322**	12,750
	744,416	864,897
Current liabilities		
Other payables	**79,127**	79,380
Bank loans	**–**	113,944
	79,127	193,324
Net current assets	**665,289**	671,573
Total assets less current liabilities	**688,896**	695,180
Capital and reserves		
Share capital	**171,233**	171,233
Reserves	**409,196**	426,478
Equity attributable to owners of the Company	**580,429**	597,711
Non-current liability		
Convertible notes	**108,467**	97,469
	688,896	695,180

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

HE XIANGMING
Director

LIN PINGWU
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share Premium	Convertible note equity reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	484,159	–	(318,845)	165,314
Issue of ordinary shares	241,040	–	–	241,040
Recognition of the equity component of convertible notes	–	34,700	–	34,700
Loss for the year	–	–	(14,576)	(14,576)
At 31 December 2014 and 1 January 2015	**725,199**	**34,700**	**(333,421)**	**426,478**
Loss for the year	**–**	**–**	**(17,282)**	**(17,282)**
At 31 December 2015	**725,199**	**34,700**	**(350,703)**	**409,196**

38. NATURE AND PURPOSE OF RESERVES

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchases of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

38. NATURE AND PURPOSE OF RESERVES (Continued)

(ii) Statutory reserves

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

(iii) Hotel properties revaluation reserve

Hotel properties are revalued annually based on independent professional valuations on an open market value basis. Changes in the values of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the reserve is insufficient to cover a revaluation deficit, the excess of the deficit is charged to the profit and loss account.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of the Group. The reserve is dealt with in accordance with the accounting policies of foreign currencies set out in Note 3 to the consolidated financial statements.

(v) Convertible note equity reserve

Convertible note equity reserve represents the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy with the accounting policies of Convertible note set out in Note 3 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	36,560	35,738	29,616	32,448	**39,275**
Profit/(loss) for the year	1,850	(6,336)	(11)	81,038	**5,773**
Discontinued operation (loss)/ profit for the year	(62,806)	111,865	(1,408)	–	**–**
(Loss)/profit for the year attributable to owners	(60,956)	105,529	(1,419)	81,038	**5,773**
(Loss)/earnings per share					
Basic	(HK5.13 cents)	HK8.88cents	(HK0.12 cent)	HK6.22 cents	**HK0.34cents**
Diluted	(HK5.13 cents)	HK8.88cents	(HK0.12 cent)	HK6.22 cents	**HK0.34cents**

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	636,739	727,366	715,412	1,458,734	**1,352,241**
Total liabilities	(159,714)	(139,586)	(123,354)	(463,152)	**(377,822)**
Equity attributable to owners	477,025	587,780	592,058	995,582	**974,419**

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group as at 31 December 2015 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Hotel properties						
Guilin Plaza, 20 Li Jiang Lu Guilin, Guangxi, The PRC.	100	Medium	Hotel	29,746	Existing	N/A
Properties						
Flat A7 on 2nd Floor of Block A, Yan On Building, No.1 Kwong Wa Street, Kowloon.	100	Medium	Residential	72	Existing	N/A
Unit No. 1 on 14th Floor, President Commercial Centre, 608 Nathan Road, Kowloon.	100	Medium	Commercial	46	Existing	N/A
12th to 13th Floor of Block A, Phase 1 Guangdong – Hong Kong Finance & Technology Park Guicheng Street, Nanhai District, Foshan City, Guangdong Province The PRC	100	Medium	Commercial	3,048	Existing	N/A
Investment properties						
Kai Yip Factory Building Portion A on G/F, No. 1517 Sam Chuk Street San Po Kong Kowloon, Hong Kong.	100	Medium	Industrial	333	Existing	N/A
17th Floor SingHo Finance Building, Nos.166/168 Gloucester Road, Hong Kong.	100	Medium	Commercial	112	Existing	N/A

PARTICULARS OF MAJOR PROPERTIES (Continued)

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Investment properties (Continued)						
Unit No.1, 14 & 15 on 5th Floor, Wing On Plaza, No.62 Mody Road, Kowloon.	100	Medium	Commercial	429	Existing	N/A
1st to 11th Floor of Block A, Phase 1 Guangdong – Hong Kong Finance & Technology Park Guicheng Street, Nanhai District Foshan City, Guangdong Province The PRC	100	Medium	Commercial	15,818	Existing	N/A
Properties held for sale						
Levels 5-7, 9, 12-14, 17-22 of Block A and all shopping spaces in the podium under Block B & C of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road, Shantou Special Economic Zone, Guangdong Province, The PRC.	100	Medium	Commercial/ Residential	11,562	Existing	N/A
10th Floor of Building B, 6th, 8th, 11th, 15th, 17th and 25th Floors of Building A, International Commerce Building, Banzhang Lake, South Riverside, Huizhou City, Guangdong Province, The PRC.	100	Long	Commercial/ Office	4,289	Existing	N/A