2014
Annual Report

中國城市基礎設施集團有限公司
China City Infrastructure Group Limited

Stock Code: 2349

(Formerly known as China Water Property Group Limited)
(Incorporated in the Cayman Islands with limited liability)

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Wenxia
(Vice Chairman and Chief Executive Officer)
Mr. Ren Qian

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)*
Mr. Zhou Kun

Independent Non-executive Directors

Mr. Chan Pok Hiu
Mr. Wong Chi Ming
Mr. Wang Jian

AUDIT COMMITTEE

Mr. Wong Chi Ming *(Committee Chairman)*
Mr. Chan Pok Hiu
Mr. Wang Jian

REMUNERATION COMMITTEE

Mr. Chan Pok Hiu *(Committee Chairman)*
Mr. Wong Chi Ming
Mr. Wang Jian

NOMINATION COMMITTEE

Mr. Chan Pok Hiu *(Committee Chairman)*
Mr. Wong Chi Ming
Mr. Wang Jian

COMPANY SECRETARY

Mr. Yeung Tak Yip

AUTHORISED REPRESENTATIVES

Mr. Duan Chuan Liang
Ms. Wang Wenxia

AUDITOR

HLM CPA Limited
Certified Public Accountants

WEBSITE

www.city-infrastructure.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
No. 78 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building
No. 1 Queen's Road Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6208, 62nd Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Profile

China City Infrastructure Group Limited and its subsidiaries (collectively refer as the "Group") expands its business from property business into infrastructure industries. The Group is principally engaged in the infrastructure business, and looking forward to benefiting from the People's Republic of China ("PRC") vast market opportunities, rapid urbanisation, rising environmental requirements. The Group will give special priority to infrastructure projects relating to environmental protection, clean energy and urbanisation of PRC, including such as natural gas pipeline construction and operation of concession right, solid waste treatment and waste to energy.

Chairman's Statement

On behalf of the board of directors (the "Board of Directors"), is pleased to report the results of China City Infrastructure Group Limited ("China City Infrastructure" or the "Company") (formerly known as "China Water Property Group Limited") and its subsidiaries (collectively refer as the "Group") for the year ended 31 December 2014.

After careful consideration, the Board of Directors decided to expand the Group's business to the infrastructure businesses, and looking forward to benefiting from PRC vast market opportunities, rapid urbanisation, rising environmental requirements. The Group will give special priority to infrastructure projects relating to environmental protection, clean energy and urbanisation of PRC, including such as natural gas pipeline construction and operation of concession right, solid waste treatment and waste to energy etc.

So far, the Company has successfully signed sale and purchase agreements in acquiring three natural gas companies, two in Hunan and one in Jiangxi, which is the Group's first group of natural gas pipeline construction and operation of concession right projects, and also a milestone in the infrastructure business. Natural gas, as a sustainable development clean energy, not only can significantly reduce sulfur dioxide and nitrogen oxide emissions, but also the important elements of urbanisation development and improvement of people's livelihood, having obvious environmental benefits and social benefits. Recently, the PRC government has launched a series of air pollution control policies, to accelerate control management over high energy consumption and high pollution industry, and gradually promote the transformation and upgrade of traditional industries, promote the implementation of "coal to gas" project, orderly replacement of coal-fired boilers for industrial and commercial use and the implementation of natural gas price reform, and gradually stabilise and improve the natural gas supply so as to ensure the healthy development of the national clean energy industries. Natural gas in PRC will be widely used further, the natural gas industry will usher in a new round of rapid growth in the future and entered into a new stage in a faster and broader way. The Group will seize the opportunity, and leverage their strengths, and is actively seeking acquisition opportunities in the regions of huge development potential through a number of channels and networks, so that the Group's natural gas business grows considerably.

Looking forward, with the deepening of reform and social development in PRC, the rapid development of urbanisation, growing public awareness of environmental issues, to promote the development and use of clean energy and environmental protection industry has become a trend, environmental protection and clean energy policies of the PRC government launched will benefit the Group and provide the Group's related infrastructure businesses a broad and bright development future. With years of extensive experience in infrastructure and in the field of environmental protection industry, the Group's management will put its business strategy into practice and competitive advantage to enhance the market share in PRC market, and according to business development strategy, the Group continues to expand its footprint in PRC, contribute to PRC's infrastructure and environmental management, while bringing exceptional value to our shareholders.

China City Infrastructure will adhere its prudent financial management concepts, to maintain a healthy balance sheet and financial position, and will optimise the capital structure of the Group's business portfolio and broaden the sources of financing, to maximise shareholder value.

On behalf of the Board of Directors to take this opportunity to thank all shareholders, investors, customers, business partners and employees for continued support over the past year.

Duan Chuan Liang
Chairman

Hong Kong, 26 March 2015

Management Discussion and Analysis

The Group is dedicated to the infrastructure businesses, with primitive focus on infrastructure projects relating to environmental protection, clean energy, and urbanisation in PRC, including such as natural gas pipeline construction and operation of concession right, solid waste treatment and waste to energy, etc.

With the deepening of reform and social development in PRC, the rapid development of urbanisation, growing public awareness of environmental issues, to promote the development of environmental protection industry and use of clean energy has become a trend, environmental protection and clean energy policy of the PRC government launched will benefit the Group and provide the Group's related infrastructure businesses a broad and bright development future.

The Group is currently expanding into natural gas pipeline construction and operating concession right market and able to increase business opportunities and market shares for the Group's development and infrastructure businesses. The Group will continue to evaluate the investment opportunities in infrastructure projects relating to environmental protection, clean energy and urbanisation in PRC. It is in line with national development priorities in PRC and the Group's existing business strategy.

The Group is also engaged in property related businesses and develops a well-diversified portfolio, which can provide a sustainable cash inflow and potential capital appreciation to the Group.

RESULT SUMMARY

The consolidated turnover of the Group decreased by 37% from approximately HK$368.3 million for the year ended 31 December 2013 to approximately HK$232.2 million for the year ended 31 December 2014. The revenues from properties sales were approximately HK$162.9 million mainly arising from sales of the Mei Lai International Centre in Hangzhou, the revenues from property leasing, hotel business and property management business were approximately HK$21.5 million, HK$41.9 million and HK$5.9 million respectively.

The overall gross profit decreased by 30.1% to approximately HK$86.0 million in 2014 from approximately HK$124.4 million in 2013, while the gross profit margin increased to 37% in 2014 from 34% in 2013. The Group also had net fair value gains on revaluation of various investment properties of approximately HK$199.6 million for the year ended 31 December 2014. The Group recorded a net gain of disposal of investment properties of approximately HK$235.1 million arising from the disposal of investment properties in 2013. There is no such one-off gain in 2014.

The profit attributable to owners of the Company decreased by 63% to approximately HK$32.1 million for the year ended 31 December 2014 from approximately HK$85.6 million in 2013. Basic earnings per share attributable to owners of the Company decreased to HK1.71 cents compared with HK4.66 cents in 2013. The Board does not propose any final dividend for the year ended 31 December 2014.

BUSINESS REVIEW

The PRC Property Development Business

During the year ended 31 December 2014, the Group's revenue from property development business amounted to approximately HK$162.9 million, representing a decrease of approximately 43%, compared with approximately HK$287.8 million in 2013. Aggregate gross floor area ("GFA") sold for the year was 10,615 square meters ("sq.m."), representing a decrease of 50% from 21,299 sq.m. in 2013. Average selling price ("ASP") was approximately HK$15,343 for the year.

The Group's development projects now include Zhongshui • Longyang Plaza in Wuhan and Mei Lai International Centre and Qiandao Lake Villa in Hangzhou.

All projects are under development in accordance with their development plans.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited* ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre ("Shopping Centre") owned by the Group, which held its grand opening in late August 2011. The Shopping Centre has total leasable area of approximately 55,362 sq.m. with car park included. The Shopping Centre now becomes a fashionable, dynamic and international shopping centre to cater the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers.

Since last year, a tenancy-mix optimisation project was initiated in order to further improve the earning efficiency of the Shopping Centre. A decrease in both rental income and occupancy rate were noted during the project was carried out. During the year ended 31 December 2014, the rental income arising from the Shopping Centre was approximately HK$12.1 million and the average occupancy rate is approximately 24%. At 31 December 2014, the fair value of the Shopping Centre recorded approximately HK$1,325.3 million. The operation of the Shopping Centre provided a steady cash inflow to the Group in addition to the possible capital appreciation.

Mei Lai International Centre is completed its construction in December 2013. The commercial part has approximately 57,922 sq.m. with car park included. Mei Lai International Centre is located in new Central Business District in Yuhang district of Hangzhou and adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, which is already in use in late 2012, it is expected Mei Lai International Centre can meet the increasing needs from residential and office customers nearby. During the year ended 31 December 2014, the rental income arising from the commercial part was approximately HK$6.2 million and the average occupancy rate is around 53%. At 31 December 2014, the fair value of the commercial part of Mei Lai International Centre recorded approximately HK$867.1 million.

Commercial part of Zhongshui • Longyang Plaza is expected to complete in 2015. The commercial part has approximately 61,415 sq. m. with car park included. Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue and is atop the Longyang Station of metro line No. 3 which is currently under construction. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments. At 31 December 2014, the fair value of the commercial part of Zhongshui • Longyang Plaza recorded approximately HK$730.4 million.

* For identification purpose only

Further, upon the foods business discontinued by the Group in mid-2013, the industrial land in Guangzhou was held as investment properties under redevelopment. With reference to the announcement made by the Company dated 16 September 2013, the land was disposed through the tendering processes held by Guangzhou Municipal Land Resources and Housing Administrative Bureau and the Group recorded a net gain of approximately HK$235.1 million arising from the disposal. There was no this one-off gain recorded in 2014.

On 22 July 2013, a lease agreement was entered into among Beijing Huangcheng Club & Culture Company Limited* ("Huangcheng Club") and Shenzhen Zhongshui Property Company Limited* ("Zhongshui Property") (an indirect wholly owned subsidiary of the Company) and Beijing Qianmen Tianshi Property Development Company Limited* (the "Landlord"), pursuant to which the Landlord agrees to lease to the Group the Qianmen Avenue land parcel B14 (the "Qianmen Land"), Beijing, the PRC, mainly for the use of as a theme hotel and culture club and related property business. As the Qianmen Land is located at the core area of Central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street, as well as significant political and administrative areas, the lease will enhance the Group's property portfolio and generate a stable income stream for the Group. It offers the Group a good opportunity to expand its business in central district of Beijing.

On 22 July 2013, the joint venture agreement was entered into between Zhongshui Property and Huangcheng Club, pursuant to which Beijing Shenglong Culture Company Limited (the "Joint Venture Company") was established in Beijing, the PRC, during the year ended 31 December 2014. The Joint Venture Company is owned as to 70% and 30% by each of Zhongshui Property and Huangcheng Club respectively. The purpose of establishing the Joint Venture Company is to develop and operate the Qianmen Land.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited* ("Hotel Company"), an indirect wholly owned subsidiary of the Company, manages a business hotel ("Future City Hotel") with around 400 rooms, which is featured as one of the largest all suite business hotels in number of rooms in Central China. Easy access to the East Lake and universities and government authorities attracts travelers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and team of hospitality professionals was recruited to deliver personalised services to customers.

During the year ended 31 December 2014, the revenue arising from Future City Hotel was approximately HK$40.5 million and the average occupancy rate is around 84%.

Chunan Yuehuzhuang Hotel Company Limited* was formed by the Group to operate 3 villas, the clubhouse and the yacht berths of Qiandao Lake Villa project as a featured hotel under the name "Yuehuzhuang Hotel". The hotel commenced its trial operation and, during the year ended 31 December 2014, recorded a revenue of approximately HK$1.4 million.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited* ("Property Company"), an indirect wholly owned subsidiary of the Company, provides residents and tenants with safe, modern, comfortable and high quality property management services.

During the year ended 31 December 2014, the revenue from property management was approximately HK$5.9 million.

* For identification purpose only

GROUP PROJECTS

Property related business

WUHAN CITY, HUBEI

Future City

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the upcoming stations of metro line No. 2 and 7, in which line No. 2 was completed and in use since late 2012. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 19,191 sq.m. with a total GFA of approximately 145,273 sq.m. and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces. The project is completed stepwisely in 2010 and 2011 and the Future City shopping centre held its grand opening in late August 2011.

WUHAN CITY, HUBEI

Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7, in which line No. 2 was completed and in use in late 2012. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of approximately 42,149 sq.m.. The project is completed and under sale since second half year of 2012.

WUHAN CITY, HUBEI

Zhongshui • Longyang Plaza

Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a land site of 30,625 sq.m. and is atop the Longyang Station of metro line No. 3 which is currently under construction. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments with planned GFA of approximately 135,173 sq.m. The project is under construction and under pre-sell in 2014.

HANGZHOU CITY, ZHEJIANG

Mei Lai International Centre

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 sq.m. and is adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, which is already in use in late 2012. The total GFA is approximately 114,610 sq.m.. The development comprises of one grade-A office block with work loft setting, two high-rise premium apartment towers and a premier shopping centre and parking spaces. The project is completed its construction and under sale since late 2013.

HANGZHOU CITY, ZHEJIANG

Qiandao Lake Villa

This development occupies a site area of approximately 44,016 sq.m. in Qiandao Lake in Hangzhou City. It is a low-density lakefront precinct with 26 detached villas featuring luxurious settings, inclusive of lift, garage, swimming pool, yards and complemented by a full- facility clubhouse. The total planned GFA is approximately 33,493 sq.m.. The location enjoys spectacular unobstructed lake view and conveniently accessible to Hangzhou City, Shanghai and Mount Huang by either high-speed railway or expressway. The project will be completed in three phases, in which phase one is completed, and phases two and three are under construction.

NANJING CITY, JIANGSU

Hohai Project

The project is located at Nanjing Gulou District No. 1 Xikang Road, next to the main campus entrance of Hohai University. As the Jiangsu province government office is situated along Xikang Road, it is the political, economic and academic centre of Nanjing. The project has a total land site of 5,030 sq.m. and total planned GFA of approximately 34,759 sq.m. with five-star hotels, international meeting areas and commercial centres. The project is under construction and planned to complete in 2015.

BEIJING
Qianmen Project

The project is situated at Qianmen Avenue land parcel B14 (the "Qianmen Land"), Beijing, the PRC, with a land site area of approximately 10,487 sq.m.. The Qianmen Land is located at the core area of central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street as well as significant political and administrative areas. Upon the completion of the premises, its planned total GFA is approximately 38,876 sq.m. and comprise of 1 storey and 3 levels below ground, mainly for the use of as a theme hotel and culture club and related property businesses (subject to government approval). The Group have the rights to develop and operate the structures aboveground and the area located on the first floor belowground, which have an aggregate GFA of approximately 17,660 sq.m.. The project is under planning.

The following table set forth an overview of the Group's property projects at 31 December 2014:

Project	City	Equity Interest in the Project	Site Area sq.m.	Total GFA/ Planned GFA sq.m.
Completed Projects				
Future City	Wuhan	100%	19,191	145,273
Future Mansion	Wuhan	100%	5,852	42,149
Qiandao Lake Villa (Phase I)	Hangzhou	60%	13,100	6,578
Mei Lai International Centre	Hangzhou	60%	16,448	114,610
Subtotal			54,591	308,610
Projects under development				
Zhongshui • Longyang Plaza	Wuhan	100%	30,625	135,173
Qiandao Lake Villa (Phase II & III)	Hangzhou	60%	30,916	26,915
Hohai Project	Nanjing	70.6%	5,030	34,759
Subtotal			66,571	196,847
Properties held for development				
Qianmen Project	Beijing	70%	10,487	17,660
Subtotal			10,487	17,660

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year decreased to approximately HK$232.2 million from approximately HK$368.3 million, a decrease of 37% compared with last year. The revenue of property development decreased from approximately HK$ 287.8 million in 2013 to approximately HK$162.9 million in 2014. The decrease was mainly due to a decrease in revenue from sales of residential properties, in which the total GFA recognised during the year was 10,615 sq.m., representing a decrease of 50%, compared with the total GFA of 21,299 sq.m. recognised in last year.

The revenue from property leasing and property management business decreased from approximately HK$31.3 million in 2013 to approximately HK$21.5 million in 2014 and from approximately HK$6.8 million in 2013 to approximately HK$5.9 million in 2014 respectively, while revenue from hotel business decreased from approximately HK$42.4 million in 2013 to approximately HK$41.9 million in 2014.

Cost of Sales

The cost of sales decreased from approximately HK$243.8 million in 2013 to approximately HK$146.2 million in 2014, primarily due to the decrease in total GFA recognised in 2014, where the cost of properties sold including development costs, land costs and borrowing costs.

During the year, the Group's cost of sales was also attributable by property investment segment of approximately HK$3.2 million, a decrease of approximately HK$4.1 million compared with 2013, and by hotel business and property management business of approximately HK$46.5 million and approximately HK$4.0 million respectively, an increase of approximately HK$2.9 million and a decrease of approximately HK$0.9 million compared with 2013 respectively.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately HK$38.4 million from approximately HK$124.4 million in 2013 to approximately HK$86.0 million in 2014. The Group has a gross profit margin of 37% in 2014, as compared with 34% in 2013. The slightly increase in the gross profit margin was primarily due to a shift in sales-mix of properties, in which a higher proportion of properties with higher profit margin were sold including properties of Mei Lai International Centre during the year.

Other Operating Income

Other operating income increased by 267% to approximately HK$6.6 million in 2014 from approximately HK$1.8 million in 2013. This increase was primarily due to an increase in bank interest income and exchange gain .

Other Operating Expenses

Other operating expense, which mainly represented amortisation of prepaid lease payment and share-based payment, decreased by 20% to approximately HK$19.0 million in 2014 from approximately HK$23.8 million in 2013. This decrease was primarily due to absence of one-off share-based payment incurred in 2013.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$199.6 million in 2014 arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Gain on Disposal of Investment Properties

The net gain of disposal of investment properties of approximately HK$235.1 million was arising from the disposal of the land parcels in Guangzhou, which was classified as investment properties under redevelopment in previous year. The land was disposed through the tendering processes held by Guangzhou Municipal Land Resources and Housing Administrative Bureau, details of which were disclosed in the announcement of the Company dated 16 September 2013. There was no this one-off gain in 2014.

Selling and Distribution Expenses

The selling and distribution expenses increased by 15% to approximately HK$21.7 million in 2014 from approximately HK$18.9 million in 2013, primarily due to increased expenses of advertising and promotion for properties sales.

Administrative Expenses

The administrative expenses decreased by 7% to approximately HK$97.2 million in 2014 from approximately HK$105.0 million in 2013, primarily because the property related businesses become stable and mature, which result in certain reduction of its expenses through certain cost control measure.

Finance Costs

The finance costs increased by 2% to approximately HK$32.1 million in 2014 from approximately HK$31.4 million in 2013. As the Group raised more borrowings including senior notes for the property development projects and Group's operation, the finance cost increased.

Income Tax Expense

The income tax decreased by 18% to approximately HK$64.3 million in 2014 from approximately HK$78.8 million in 2013. The decrease was primarily attributable to the income tax which was contributed mainly by the decreased in sales of properties and profit arising from the properties sold during the year.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year decreased by 63% to approximately HK$32.1 million in 2014 from approximately HK$85.6 million in 2013.

Liquidity, Financial and Capital Resources

Cash Position

At 31 December 2014, total bank deposits and cash (including pledged bank deposits) of the Group amounted to approximately HK$449.5 million (31 December 2013: approximately HK$498.8 million), representing a decrease of 10% as compared to that at 31 December 2013.

Borrowings and Charges on the Group's Assets

At 31 December 2014, the Group's total debts included borrowings, senior notes and convertible notes, which the borrowings of approximately HK$1,511.4 million (31 December 2013: approximately HK$1,165.2 million), senior notes of approximately HK$570.0 million (31 December 2013: approximately HK$330.0 million) and liability component of convertible notes of approximately HK$72.3 million (31 December 2013: approximately HK$69.6 million). Amongst the borrowings, approximately HK$1,012.4 million (31 December 2013: approximately HK$561.1 million) will be repayable within one year and approximately HK$499.0 million (31 December 2013: approximately HK$604.1 million) will be repayable after one year. The senior notes and convertible notes are due in November 2016 and November 2017 respectively.

At 31 December 2014, certain land and buildings together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$3,656.4 million were pledged as security for certain banking facilities granted to the Group. The senior notes were guaranteed by certain subsidiaries of the Company and by pledge of their shares.

Gearing Ratio

The gearing ratio was 77% at 31 December 2014 (31 December 2013: 53%). The gearing ratio was measured by net debt (aggregated borrowings, senior notes and convertible notes net of bank balances and cash and pledged bank deposits) over the total equity. The current ratio (current assets divided by current liabilities) was 1.15 (31 December 2013: 1.57).

Exposure To Fluctuation In Foreign Exchange And Interest Rate

The Group principally operates the infrastructure business, property development, property investment, hotel business and property management in the PRC and most of the transactions are settled in Renminbi. The conversion of Renminbi into foreign currencies or Hong Kong dollars is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The usual treasury policy of the Group is to manage significant currency exposure and minimise currency risk whenever it may have material impact on the Group. The Group did not engage in hedging activities designed or intended to manage currency risk during the year ended 31 December 2014.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2014. The Group undertook primarily debt obligations to support its property development and general working capital needs. The fluctuations in interest rates affect the cost of financing and may lead to fluctuations in the fair value of the debt obligations of the Group. The results of the Group are also affected by changes in interest rates due to the impact such changes have on interest income from the bank deposits.

Contingent Liabilities and Commitments

At 31 December 2014, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the consolidated financial statements, amounting to approximately HK$452.6 million (2013: approximately HK$480.7 million).

The Group had capital commitments in respect of its acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than HK$132.9 million (2013: HK$229.9 million).

The Group had capital commitments in respect of acquisition agreement announced at 31 December 2014, contracted but not provided in the consolidated financial statements, amounting to approximately HK$25.3 million (2013: Nil).

The Group has not recognised any deferred income for the guarantees given in respect of borrowing and other banking facilities as their fair value cannot be reliably measured and transaction was minimal.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2014 and 2013.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2014, the total number of employees stood at approximately 334. Total staff costs for the year were approximately HK$57.3 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

EQUITY FUND RAISING EXERCISE — PLACING AND SUBSCRIPTION

On 17 November 2014, the Company entered into the Placing and Subscription Agreement with the Vendors and the Placing Agent, pursuant to which the Vendors have conditionally agreed to place, through the Placing Agent on a best effort basis, up to 185,872,000 Sale Shares to not fewer than six Placees who and whose ultimate beneficial owners will be Independent Third Parties at a Placing Price of HK$0.774 per Sale Share during the Placing Period and the Subscription of Subscription Shares (the number of which shall be equivalent to the actual number of Sale Shares placed by the Placing Agent under the Placing) by the Vendors at the Subscription Price of HK$0.774 per Subscription Share.

The Board considers that the Placing and the Subscription represents good opportunities to raise additional funds for the Company while broadening the Shareholder and capital base of the Company. The Subscription Price of HK$0.774 represents a discount of 10% to the closing price of HK$0.86 per Share as quoted on the Stock Exchange on the 16 November 2014.

The gross proceeds of the Subscription will amount to approximately HK$144 million. The net proceeds from the Subscription, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK$140 million, representing a net issue price of approximately HK$0.76 per Sale Share. The net proceeds from the Placing and the Subscription will be used for the general working capital and future development of the Group.

FUTURE PLANS AND PROSPECTS

The Group is principally engaged in the infrastructure businesses, and looking forward to benefiting from PRC vast market opportunities, rapid urbanisation, rising environmental requirements. The Group will give special priority to environmental protection, clean energy and urbanisation in PRC, infrastructure projects relating to, including such as natural gas pipeline construction and operation of concession right, solid waste treatment and waste to energy, etc.

Operation of concession right in natural gas business

Operation of concession right in natural gas business is the first infrastructure sector that the Group entered. So far, the Group has signed sale and purchase agreements in acquiring three natural gas companies, two in Hunan and one in Jiangxi. Recently, the PRC government has launched a series of air pollution control policies, to accelerate control management over high energy consumption and high pollution industries, and gradually promote the transformation and upgrade of traditional industries, promote the implementation of "coal to gas" project, orderly replacement of coal-fired boilers for industrial and commercial use and the implementation of natural gas price reform, and gradually stabilise and improve the natural gas supply so as to ensure the healthy development of the national clean energy industries. Natural gas in PRC will be widely used further, the natural gas industry will usher in a new round of rapid growth in the future and entered into a new stage in a faster and broader way. The Group will seize the opportunity, and leverage their strengths, and is actively seeking acquisition opportunities in the regions of huge development potential through a number of channels and networks, so that the Group's natural gas business grows considerably.

Other environmental and clean energy businesses (such as solid waste treatment and waste to energy)

With the deepening of reform and social development in PRC, the rapid development of urbanisation, growing public awareness of environmental issues, to promote the development of environmental protection industry and use of clean energy has become a trend, environmental protection and clean energy policy of the PRC government launched will benefit the Group and provide the Group's related infrastructure businesses a broad and bright development future.

With years of extensive experience in its infrastructure and in the field of environmental protection industry, the Group's management will put its business strategy into practice and competitive advantage to enhance the share in the PRC market. According to business development strategy, the Group continues to expand its footprint in PRC, contribute to PRC infrastructure and environmental management, while bringing exceptional value to our shareholders.

The Group will adhere to prudent financial management philosophy, to maintain a healthy balance sheet and financial position, and will optimise the Group's capital structure and businesses portfolio to create maximum value for shareholders of the Company.

Directors’ and Senior Management Biographical Details

MR. DUAN CHUAN LIANG (“MR. DUAN”)
— Chairman and Non-executive Director

Mr. Duan, aged 51, was appointed as Chairman and Non-executive Director on 25 October 2010. Mr. Duan was graduated from the North China College of Water Conservancy and Hydro Power with a bachelor degree, majoring in irrigation and water conservancy works. Mr. Duan had been working for the Ministry of Water Resources of the PRC for more than 10 years. Mr. Duan has over 20 years experience in water conservancy management, real estate development experience.

Mr. Duan is the chairman and the executive director of China Water Affairs and director of numerous other enterprises in the PRC. The register of substantial shareholders maintained under Section 336 of the SFO show that at 31 December 2014, China Water Affairs holds 867,067,135 issued Shares of the Company (each a “Share”), representing approximately 42.41% of the total issued share capital of the Company.

MS. WANG WENXIA (“MS. WANG”)
— Vice Chairman, Executive Director and Chief Executive Officer

Ms. Wang, aged 55, was appointed as Vice Chairman, an Executive Director and Chief Executive Officer of the Company. Ms. Wang is responsible for the overall strategic development, making decisions for investment projects and determining the direction of development of the Group. Ms. Wang holds a master degree in finance from Dongbei University of Finance and Economics. Ms. Wang currently holds senior management positions in various unlisted companies incorporated in the PRC, and has active experience at the management level in structured finance and real estate for over 20 years, including investment, mergers and acquisitions and asset management services.

Ms. Wang was the chairman, the executive director and the chief executive officer of China Financial International Investments Limited (Stock Code: 721), a company listed on the main board of the Stock Exchange.

MR. REN QIAN (“MR. REN”)
— Executive Director

Mr. Ren, aged 54, was appointed as Executive Director on 30 July 2009. He is responsible for strategic development and properties management of the Group. Mr. Ren graduated from the North China University of Water Conservancy and Electronic Power majoring in agricultural water in 1983 and obtained his Master of Business Administration degree from Beijing Normal University in 2001. He has over 30 years experience in the water resources management, housing and urban-rural development and the real estate industries in the PRC. Mr. Ren was the secretary of the office minister of The Ministry of Water Resources of the PRC and The Ministry of Housing and Urban-Rural Development of the PRC, respectively. Mr. Ren was also the deputy mayor of The People’s Government of Hebei Province, Langfang City and the deputy general manager of The Housing and Urban-Rural Development Huatong Real Estate Limited#. Prior to joining the Group, Mr. Ren was the senior adviser of the chairman of the board of Beijing Yinghe Real Property Company#.

MR. ZHOU KUN (“MR. ZHOU”)
— Non-executive Director

Mr. Zhou, aged 47, was appointed as Non-executive Director on 30 July 2009. He graduated from the Xian Institute of Industry# majoring in fine arts technology in 1987. He has over 20 years experience in media, advertising and real estate industries in Shenzhen. Mr. Zhou was the art director of Shenzhen Legal System Newspaper# and the general manager of Shenzhen Xinli Chuanren Advertising Limited#.

The English translation of Chinese names or words in this biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

MR. CHAN POK HIU ("MR. CHAN") — Independent Non-executive Director

Mr. Chan, aged 47, was appointed as Independent Non-executive Director on 16 August 2010. He is an experienced investment banker with more than 18 years of experience holding many senior positions in various famous international banks. While he has mainly focused his efforts on PRC dealmaking in recent years, he has accumulated extensive experience in back office support, business management and risk control functions.

Mr. Chan has worked in Standard Bank Group for six years, and was a core member of Asia Originations Team at Standard Bank Asia Limited where he was responsible for originating, structuring and executing investment banking, global markets, resources banking and private equity transactions. Before joining Standard Bank, Mr. Chan was the operations director and alternate chief executive for Fleet National Bank, Hong Kong Branch (now part of Bank of America), responsible for the overall policy-making, direction, co-ordination, planning and control of the Branch. Previously, Mr. Chan had been with Merrill Lynch (Asia Pacific) Limited, responsible for supporting equities derivatives. Prior to Merrill Lynch, he had been with UBS as an analyst. Mr. Chan started his professional career at Chase Manhattan Bank headquarters in New York, acting as internal auditor. Mr. Chan holds BBA and MBA degrees from Baruch College of City University of New York.

MR. WONG CHI MING ("MR. WONG") — Independent Non-executive Director

Mr. Wong, aged 38, was appointed as Independent Non-executive Director on 16 August 2010. He graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He has over 10 years extensive experience in the fields of audit, accounting, taxation and corporate finance. He is a member of the Hong Kong Institute of Certified Public Accountants. He is currently a practicing director of a Hong Kong based medium-sized certified public accountants firm.

MR. WANG JIAN ("MR. WANG") — Independent Non-executive Director

Mr. Wang, aged 45, was appointed as Independent Non-executive Director on 21 April 2011. Chinese, Bachelor of Economics. Mr. Wang is currently managing director of Shenzhen City Jin Ruige Investment Management Company Limited#. He has served as a branch credit manager of Industrial and Commercial Bank of China, vice president of Hua Li Property Group Company Limited#, vice general manager of Shenzhen Zhong Ke Zhi Investment Guarantee Company Limited# and executive vice president of Shenzhen City Jin Ruige Investment Management Company Limited#. He has extensive experience in enterprise funds operations, investment and financing of real estate projects and corporate operational management.

SENIOR MANAGEMENT

The abovementioned Directors of the Company are members of senior management of the Group.

\# The English translation of Chinese names or words in this biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

Directors' Report

The directors of the Company (each a "Director") present their annual report and the audited consolidated financial statements of China City Infrastructure Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 39 of this report.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 127 of this report.

PREPAID LEASE PAYMENTS

Details of movements in prepaid lease payments of the Group during the year are set out in Note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in Note 17 to the consolidated financial statements. Further details of the Group's major properties are set out on page 128 of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 33 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the movements in convertible notes during the year are disclosed in Note 30 to the consolidated financial statements.

SENIOR NOTES

Details of senior notes are set out in Note 31 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity from pages 44 to 45 of this report and Note 34 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$646.0 million as at 31 December 2014, which comply with the Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association", each an "Article"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINAL DIVIDEND

The Board resolved that the Company would not declare the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except the shares placement made in December 2014 by the Company, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the year ended 31 December 2014.

DIRECTORS

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

Executive Directors

Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer)*
Mr. Ren Qian

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)*
Mr. Zhou Kun

Independent Non-executive Directors

Mr. Chan Pok Hiu
Mr. Wong Chi Ming
Mr. Wang Jian

In accordance with Article 108 of the Articles of Association, Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian shall retire from their office by rotation at the forthcoming annual general meeting. Being eligible, each of Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian will offer himself for re-election as Independent Non-executive Director at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Ms. Wang Wenxia ("Ms. Wang") has been re-appointed as the chief executive officer (the "Chief Executive Officer") of the Company with effect from 17 January 2014 and Ms. Wang has also entered into the new service contract with the Company on 17 January 2014. The term of the service contract will be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules.

Mr. Wang Jian as the Independent Non-executive Director, has entered into new service contract with the Company for a term of three years which commence on 21 April 2014, It will continue thereafter until terminated by either party by giving not less than six months' written notice.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian for the year ended 31 December 2014 and as the date of this report, the Company considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out from pages 16 to 17 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

At 31 December 2014, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares at 31 December 2014

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(1)	4,207,928	0.21%
Ms. Wang Wenxia	Beneficial owner	(2)	1,231,440	0.06%
Mr. Ren Qian	Beneficial owner	(3)	680,400	0.03%

(ii) Long positions in underlying shares at 31 December 2014

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(4)	12,795,263	0.63%
		(5)	54,262,000	2.65%
			67,057,263	**3.28%**
Ms. Wang Wenxia	Beneficial owner	(4)	12,795,263	0.63%
		(6)	18,087,228	0.88%
			30,882,491	**1.51%**
Mr. Ren Qian	Beneficial owner	(6)	1,500,000	0.07%
Mr. Zhou Kun	Beneficial owner	(6)	1,500,000	0.07%
Mr. Chan Pok Hiu	Beneficial owner	(6)	700,000	0.03%
Mr. Wong Chi Ming	Beneficial owner	(6)	700,000	0.03%
Mr. Wang Jian	Beneficial owner	(6)	700,000	0.03%

Notes:

(1) The personal interests of Mr. Duan Chuan Liang comprise 4,207,928 ordinary shares and 67,057,263 outstanding share options.

(2) The personal interests of Ms. Wang Wenxia comprise 1,231,440 ordinary shares and 30,882,491 outstanding share options.

(3) The personal interests of Mr. Ren Qian comprise 680,400 ordinary shares and 1,500,000 outstanding share options.

(4) These share options were granted on 3 November 2010 at an exercise price of HK$0.1004 per share of the Company with exercise period from 3 November 2010 to 2 November 2020.

Pursuant to the terms of the share option scheme, the exercise price of the share options and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options were adjusted as a result of the completion of the open offer on 24 October 2011. Adjusted number of outstanding share options as 25,590,526 and adjusted exercise price per share in respect of the outstanding share options as HK$0.9602 per share.

(5) These share options were granted on 23 April 2013 at an exercise price of HK$0.598 per share of the Company with exercise period from 23 April 2013 to 22 April 2023.

(6) These share options were granted on 29 May 2013 at an exercise price of HK$0.64 per share of the Company with exercise period from 29 May 2013 to 28 May 2023.

Save as disclosed above, at 31 December 2014, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The following table discloses movements in the Company's share options during the year.

				Number of share option					
Category	Date of grant	Exercise price (HK$)	Exercise period	At 1 January 2014	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	At 31 December 2014
Directors	03/11/2010	0.9602	03/11/2010 to 02/11/2020	25,590,526	–	–	–	–	25,590,526
Director	23/04/2013	0.598	23/04/2013 to 22/04/2023	54,262,000	–	–	–	–	54,262,000
Directors/ Employees/ Consultants	29/05/2013	0.64	29/05/2013 to 28/05/2023	42,787,228	–	–	–	–	42,787,228
				122,639,754	–	–	–	–	122,639,754

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme") which was adopted by the Company on 3 June 2003. The New Scheme will expire on 17 June 2023. Option granted under the Old Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Old Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and the related parties or other companies in which the Directors had beneficial interest are set out in Note 43 to the consolidated financial statements.

Saved as disclosed above, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that at 31 December 2014, the Company had been notified of the following substantial shareholders' interests and short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital.

(i) Long positions in the shares at 31 December 2014

Name of substantial Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
China Water Affairs Group Limited	(1)	Beneficial owner and interest of controlled corporation	867,067,135	42.41%
China Financial International Investments Limited ("CFIIL")	(2)	Beneficial owner	196,735,429	9.62%
China Financial International Investments and Managements Limited	(3)	Investment manager	196,735,429	9.62%
Capital Focus Asset Management Limited	(3)	Investment manager	196,735,429	9.62%

(ii) Long positions in the underlying shares at 31 December 2014

Name of substantial Shareholder	Note	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
China Water Affairs Group Limited	(4)	Interest of controlled corporation	215,683,681	10.55%

Notes:

(1) These shares (the "Shares") of the Company held by Sharp Profit Investments Limited ("Sharp Profit") and Good Outlook Investments Limited ("Good Outlook") which are wholly owned subsidiaries of China Water Affairs Group Limited ("China Water Affairs"). Therefore, China Water Affairs was deemed to be beneficially interested in the said Shares held by Sharp Profit and Good Outlook for the purposes of the SFO.

(2) These Shares were held by CFIIL (Stock Code: 721). Therefore, CFIIL have beneficially interested in the said Shares.

(3) These Shares were held by CFIIL. China Financial International Investments and Managements Limited ("CFIIM") is 51% owned by Capital Focus Asset Management Limited ("Capital Focus") and 29% by owned CFIIL. Accordingly, for the purposes of the SFO, CFIIM and Capital Focus are deemed to have the same interests in the Company as CFIIL, being in the capacity of investment manager of CFIIL.

(4) Convertible notes in the principal amount of HK$81,550,000 carrying the rights to subscribe for Shares at conversion price of HK$0.045 per share was issued by the Company to Good Outlook on 13 November 2007 to satisfy part of the consideration of the acquisition of the entire issued share capital of China Environmental Water Holdings Limited. If the conversion rights attached to the convertible notes had been fully exercised, 1,812,222,222 Shares would be issued at the conversion price of HK$0.045 per share.

Pursuant to the terms of the convertible notes, the conversion price of the outstanding convertible notes were adjusted as a result of the completion of the one consolidated share for every ten shares and the open offer in the proportion of two offer shares for every five consolidated shares on 24 October 2011. Adjusted conversion price as HK$0.3781 in respect of the outstanding principal amount of HK$81,550,000, an aggregate of approximately 215,683,681 Shares will be issued and allotted upon full conversion of the convertible notes. China Water Affairs is deemed to be interested in the said underlying shares by virtue of its wholly owned interest in Good Outlook.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO at 31 December 2014.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business or on normal commercial terms are set out in Note 43 to the consolidated financial statements. Certain details of which had been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee currently comprises Mr. Wong Chi Ming, Mr. Chan Pok Hiu and Mr. Wang Jian, who are the independent non-executive Directors.

The audit committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2014.

The Group's annual results for the year ended 31 December 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 32% and 10% for the Group's total purchases for the year ended 31 December 2014 respectively.

The aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales for the year ended 31 December 2014.

At no time during the year did a Director, an associate of a Director, within the meaning of the Listing Rules, or a Shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital, have any interest in the Group's five largest suppliers and five largest customers.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the public float requirements of the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint HLM CPA Limited as auditor of the Company.

On behalf of the Board

Duan Chuan Liang
Chairman

Hong Kong, 26 March 2015

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of directors (the "Board") reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

BOARD OF DIRECTORS

1. The Board

The Company is managed through the Board which currently comprises seven Directors, comprising Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as Executive Directors; Mr. Duan Chuan Liang (Chairman) and Mr. Zhou Kun as Non-executive Directors and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as Independent Non-executive Directors. Non-executive Directors (including Independent Non-executive Directors) comprise more than 71% of the Board, of which Independent Non-executive Directors make up more than 42%. The Company has compiled with the Listing Rules requirement of Independent Non-executive Directors representing at least one-third of the Board on or before 31 December 2014. The names and biographical details of the Directors of the Company, and the relationship amongst them, if any, are set out on pages 16 to 17 of this annual report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the chief executive officer.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

The Board conducts scheduled meetings on a regular basis. Ad-hoc meetings are convened when circumstances require; the Board had met seven times for the year ended 31 December 2014 and considered, reviewed and approved significant matters including the 2013 annual results, the 2014 interim results, issuance of senior notes, change of company name, placing of existing shares, consent solicitation in relation to senior notes and acquisition of natural gas companies.

Non-executive Directors and Independent Non-executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules.

To maximise the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established an audit committee, a remuneration committee and a nomination committee. Detailed descriptions of each of these committees are set out below. All of these committees adopt, as far as practicable, the principles, procedures and arrangements of the Board in relation to the scheduling and proceeding of meetings, notice of meetings and inclusion of agenda items, records and availability of minutes.

2. Appointment, Re-election and Removal of Directors

At each annual general meeting of the Company ("AGM"), one-third of the Directors are required to retire from office by rotation. At 31 December 2014, all Independent Non-executive Directors are appointed for a fixed term not exceeding three years and all Non-executive Directors (except for chairman) are subject to the requirements of retirement by rotation and re-election by Shareholders at the AGM in accordance with the Company's articles of association (the "Articles").

The names and biographical details of the Directors who will offer themselves for election or re-election at the forthcoming AGM are set out in the circular to Shareholders to assist Shareholders in making an informed decision on their elections.

Since the Company establishes a nomination committee participating in the appointment of new Directors. In evaluating whether an applicant is suitable to act as a Director, the nomination committee will consider the experience and skills of the applicant, as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the applicant is appointed as an Independent Non-executive Director, the Board will also consider his independence. During the year ended 31 December 2014, the Board had also reviewed and made recommendations in respect of the re-appointments of retiring Directors, which were approved by the Shareholders at the last AGM.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws. The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

3. Chairman and Chief Executive Officer

The Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2014, the Company had applied the principles and complied with the requirements set out in the CG Code in Appendix 14 of the Listing Rules.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the Company (the "Chairman") is Mr. Duan Chuan Liang and the chief executive officer of the Company is Ms. Wang Wenxia. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues at the Board meetings.

Ms. Wang Wenxia focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's management and operating businesses. She is also responsible for developing strategic plans and formulating the Company practices and procedures, business objectives, and risk assessment for the Board's approval.

BOARD COMMITTEES

1. Audit Committee ("AC")

The AC comprises three Independent Non-executive Directors, namely Mr. Wong Chi Ming (AC Chairman), Mr. Chan Pok Hiu and Mr. Wang Jian. The company secretary (the "Company Secretary") of the Company serves as the secretary of the AC and minutes of the meetings are sent to the members of the AC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the AC is two.

At least one of the members of the AC has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the AC was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the AC to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the AC in order to comply with the requirement of the CG Code. In February 2015, the Board adopted a revised terms of reference of the AC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

Under its revised terms of reference, the AC has been delegated the corporate governance functions of the Board to monitor, procure and manage corporate compliance within the Group.

The operations of the AC are regulated by its terms of reference. The main duties of the AC include:

- to review and supervise the Group's financial reporting process including the review of interim and annual results of the Group;
- to review the external auditors' appointment, remuneration and any matters relating to resignation or termination;
- to examine the effectiveness of the Group's internal control which involves regular review in various corporate structures and business process; and
- to realise corporate objective and strategy by taking into account the potential risk and the nature of its urgency in order to ensure the effectiveness of the Group's business operations. The scope of such reviews includes finance, operations, regulatory compliance and risk management.

Works performed during the year included:

(i) considered and approved the terms of engagement of the external auditor and their remuneration;

(ii) reviewed the annual financial statements for the year ended 31 December 2013 and the interim financial statements for the six months ended 30 June 2014;

(iii) reviewed the Group's internal control system; and

(iv) reviewed the Company's policies and practices on corporate governance.

The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The AC met two times during the year ended 31 December 2014 with an attendance rate of 100% and reviewed the annual results of the Group for the year ended 31 December 2013 and the interim results of the Group for the six months ended 30 June 2014. The Company Secretary keeps all the minutes of the AC meeting.

2. Remuneration Committee ("RC")

The RC comprises three Independent Non-executive Directors namely, Mr. Chan Pok Hiu (RC Chairman), Mr. Wong Chi Ming and Mr. Wang Jian. The Company Secretary serves as the secretary of the RC and minutes of the meetings are sent to the members of the RC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the RC is two.

In February 2015, the Board adopted a revised terms of reference of the RC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the RC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The RC has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the RC.

Major responsibilities and functions of the RC are:

- to make recommendations to the Board on the issuer's policy and structure for all remuneration of Directors and senior management;

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

- to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;

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

- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.

Works performed during the year included:

(i) reviewed and approved the remuneration of all Executive Directors of the Company for the year of 2014 and bonus payment for the year of 2013; and

(ii) reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 31 December 2014.

The RC met two times during the year ended 31 December 2014 with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of Directors and senior management. The fees of the Directors are subject to the Shareholders' approval at general meetings of the Company. Other emoluments are reviewed by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration payable to the Directors are set out in Note 9 to consolidated financial statements.

3. Nomination Committee ("NC")

The NC comprises three Independent Non-executive Directors, namely Mr. Chan Pok Hiu (NC Chairman), Mr. Wong Chi Ming and Mr. Wang Jian. The Company Secretary serves as the secretary of the NC and minutes of the meeting is sent to the members of the NC within a reasonable time after the meeting. The quorum necessary for the transaction of business by the NC is two.

The operations of the NC are regulated by its terms of reference. The main duties of the NC include:

- to implement the nomination policy laid down by the Board;

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the Chairman and the Chief Executive Officer; and

- to report to the Board the findings and recommendations of the committee at the next meeting of the Board following each NC meeting.

Works performed during the year included:

- to make recommendations to the Board in respect of the re-appointment and re-election of retiring Directors at 2014 AGM.

In February 2015, the Board adopted a revised terms of reference of the NC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the NC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The NC met two times during the year ended 31 December 2014 with an attendance rate of 100%. To review its terms of reference and re-election of retiring Directors, the nomination procedures basically follow the Article 111 which empowers the Board from time to time and at any time to appoint any person as director either to fill a casual vacancy or as an addition to the Board.

ATTENDANCE AT MEETINGS

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meeting, Nomination Committee Meeting, the 2014 AGM and extraordinary general meeting ("EGM") are as follows:

	Numbers of meetings attended/held					
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	2014 AGM	EGM
Attendance/Number of meetings held						
Executive Directors						
Ms. Wang Wenxia	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Ren Qian	6/7	N/A	N/A	N/A	0/1	0/1
Non-executive Directors						
Mr. Duan Chuan Liang	6/7	N/A	N/A	N/A	0/1	0/1
Mr. Zhou Kun	5/7	N/A	N/A	N/A	0/1	0/1
Independent non-executive Directors						
Mr. Chan Pok Hiu *(RC and NC Chairman)*	7/7	2/2	2/2	2/2	1/1	1/1
Mr. Wong Chi Ming *(AC Chairman)*	7/7	2/2	2/2	2/2	1/1	1/1
Mr. Wang Jian	7/7	2/2	2/2	2/2	0/1	1/1

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2014, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.1.3

Under this code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Although the ad-hoc meetings of the Board had convened when the circumstances required, which has given the sufficient notice to all directors and validly convened pursuant to the Articles of Association (the "Articles") of the Company.

(2) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board of the Company (the "Chairman") shall not be subject to retirement by rotation or taken into account in determining the number of Directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

(3) Code Provision A.6.7

Under this code provision A.6.7 of the CG Code, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, one Executive Director and certain Non-executive Directors could not attend the EGM of the Company held on 1 December 2014 and one Executive Director, certain Non-executive Directors and one Independent Non-executive Director could not attend the annual general meeting of the Company held on 10 June 2014 (the "2014 AGM"). However, at the respective general meeting of the Company, there were one Executive Director and at least two Independent Non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company (the "Shareholders").

(4) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to another business engagement, Mr. Duan Chuan Liang, the Chairman of the Board, was unable to attend the EGM and the 2014 AGM. However, Ms. Wang Wenxia, the Vice Chairman and Executive Director, took the chair of that meetings, and at least two Independent Non-executive Directors, being the delegate of the audit, remuneration and nomination committees of the Company were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

Each newly appointed Director receives a comprehensive and formal induction to ensure that he/she has an appropriate understanding of (i) the business and operations of the Group; (ii) his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements; (iii) the corporate governance code of the Company and (iv) the Model Code for Securities Transactions by Directors of Listed Issuers.

The Directors are committed to complying with code provision A.6.5 of the CG Code on Directors' training effective from 1 April 2012. All Directors confirmed that they have participated in continuous professional development to develop and refresh their knowledge and skills during the year.

COMPANY SECRETARY

The Company Secretary, Mr. Yeung Tak Yip, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Chief Executive Officer, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. Yeung Tak Yip has attended relevant professional seminars to update his skills and knowledge. He has complied with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors.

Having made specific enquiries to all Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2014.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board acknowledges its responsibility for preparing the Group's accounts which gives a true and fair view of the state of affairs of the Group on a going concern basis, with supporting assumption or qualification as necessary.

In preparing the accounts for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable.

The management provides explanation and information to the Board as to enable the Board to make informed assessments of the financial and other information put before the Board for approval.

The Board endeavours to ensure the making balanced, clear and understandable assessments of the Group's position and prospects and extending the coverage of such information to include annual reports, interim reports, price-sensitive announcements and financial disclosures as required under the Listing Rules, reports to regulators as well as any information that is required to be disclosed pursuant to statutory requirements.

2. Auditor and their Remuneration

For the year ended 31 December 2014, the total remuneration in respect of audit service paid and payable to the Company's auditor, HLM CPA Limited, amounted to HK$1,055,000. Non-audit service fee in relation to financial reporting review and issuance of senior notes for the year paid amounted to HK$198,000.

COMMUNICATION WITH SHAREHOLDERS

The Company strives to convey to Shareholders pertinent information in a clear, detailed, timely manner and on a regular basis and to take into consideration their views and inputs, and to address the Shareholders concerned. Their views are communicated to the Board comprehensively.

1. Disclosure of information on Company's website

The Company communicates with the Shareholders through the publication of annual, interim reports, circulars, results announcements and press releases. All communications to Shareholders are also available on the Company's website at www.city-infrastructure.com.

2. General meetings

The Company had provided sufficient notice for Shareholders on all general meetings of the Company. The AGM provides a useful platform for Shareholders to exchange views with the Board. The Chairman and the Board members are available to answer Shareholders' questions.

3. Voting by poll

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

All votes of the Shareholders at a general meeting must be taken by poll according to the Listing Rules. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to the Article.

COMMUNICATION WITH INVESTORS

The Board recognises that effective communication with investors is the key to establish investor confidence and to attract new investors.

1. Results announcement

Annual reports and interim reports are prepared and issued to all Shareholders within the prescribed period stipulated by the Listing Rules. All results announcements and reports are posted on the Company's website and the Stock Exchange's website. The Company can still provide the Shareholders and investors with an adequate degree of transparency and information of the financial position of the Company.

2. Regularly release corporate information

The Group regularly releases corporate information such as the latest news of the Group's developments on its Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, the management will give their prompt response.

3. Shareholders Right

(i) Convene an Extraordinary General Meeting

The Directors may, whenever they think fit, convene an EGM. The EGM shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

(ii) Send Enquiries to the Board

Enquiries of shareholders can be sent to the Company by post to the Company's Hong Kong head office at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings.

(iii) Make proposals at General Meetings

Pursuant to the Articles (as amended from time to time), the Shareholders who wish to move a resolution may by means of requisition convene an EGM follow the procedures as set out above.

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 CITY INFRASTRUCTURE GROUP LIMITED
(FORMERLY KNOWN AS CHINA WATER PROPERTY GROUP LIMITED)
中國城市基礎設施集團有限公司 (前稱中國水務地產集團有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China City Infrastructure Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 126, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

HLM CPA Limited
Certified Public Accountants
Ng Fai Fiona
Practising Certificate Number: P04986

Hong Kong, 26 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000 (restated)
Turnover	7a	**232,170**	368,265
Cost of sales		**(146,180)**	(243,833)
Gross profit		**85,990**	124,432
Fair value gain in respect of investment properties revaluation	17	**199,603**	34,260
Gain on disposal of investment properties	17	**–**	235,139
Other operating income	7b	**6,561**	1,821
Other operating expenses		**(18,987)**	(23,755)
Selling and distribution expenses		**(21,683)**	(18,906)
Administrative expenses		**(97,182)**	(105,037)
Finance costs	8	**(32,053)**	(31,358)
Profit before tax		**122,249**	216,596
Income tax expense	10	**(64,349)**	(78,798)
Profit for the year	11	**57,900**	137,798
Profit for the year attributable to:			
Owners of the Company		**32,070**	85,591
Non-controlling interests		**25,830**	52,207
Profit for the year		**57,900**	137,798
		HK Cents	HK Cents
Earnings per share	13		
Basic		**1.71**	4.66
Diluted		**1.71**	4.42

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**57,900**	137,798
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating of foreign operations	**825**	29,319
Total comprehensive income for the year (net of tax)	**58,725**	167,117
Total comprehensive income attributable to:		
Owners of the Company	**32,895**	112,014
Non-controlling interests	**25,830**	55,103
	58,725	167,117

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Prepaid lease payments	14	**21,361**	40,348
Property, plant and equipment	15	**44,418**	56,984
Investment properties	17	**2,922,786**	2,081,013
Goodwill	18	**174,605**	174,605
Prepayment for acquisition of an intangible asset	19	**274,513**	56,051
Available-for-sale investments	20	**12,658**	12,658
		3,450,341	2,421,659
Current assets			
Inventories	21	**538**	858
Inventory of properties	22	**1,590,385**	1,711,400
Trade and other receivables	23	**288,578**	496,912
Prepaid tax		**–**	264
Prepaid lease payments	14	**18,988**	18,988
Available-for-sale investments	20	**37,000**	–
Pledged bank deposits	24	**–**	176,588
Bank balances and cash	24	**449,500**	322,222
		2,384,989	2,727,232
TOTAL ASSETS		**5,835,330**	5,148,891
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	33	**204,459**	185,872
Reserves		**1,736,268**	1,581,130
Equity attributable to owners of the Company		**1,940,727**	1,767,002
Non-controlling interests		**259,639**	233,809
TOTAL EQUITY		**2,200,366**	2,000,811

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred tax liabilities	36	**412,546**	362,645
Borrowings – due after one year	29	**498,965**	604,060
Convertible notes	30	**72,335**	69,596
Senior notes	31	**569,970**	330,027
Deposits received for sale and lease of properties – non-current portion	26	**3,399**	39,211
Deferred income – non-current portion	32	**–**	2,929
		1,557,215	1,408,468
Current liabilities			
Trade and other payables	25	**713,127**	670,263
Deposits received for sale and lease of properties – current portion	26	**124,217**	134,601
Tax payable		**122,452**	114,948
Amounts due to non-controlling shareholders of subsidiaries	27	**2,608**	2,818
Amounts due to related parties	28	**102,604**	254,526
Borrowings – due within one year	29	**1,012,413**	561,139
Deferred income – current portion	32	**328**	1,317
		2,077,749	1,739,612
TOTAL LIABILITIES		**3,634,964**	3,148,080
TOTAL EQUITY AND LIABILITIES		**5,835,330**	5,148,891
NET CURRENT ASSETS		**307,240**	987,620
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,757,581**	3,409,279

The consolidated financial statements on pages 39 to 126 were approved and authorised for issue by the board of directors on 26 March 2015 and are signed on its behalf by:

Duan Chuan Liang
DIRECTOR

Wang Wenxia
DIRECTOR

Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	16	**1,520,194**	1,267,710
Current assets			
Other receivables		**297**	231
Pledged bank deposit	24	**–**	50,000
Bank balances	24	**13,018**	2,778
		13,315	53,009
TOTAL ASSETS		**1,533,509**	1,320,719
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	33	**204,459**	185,872
Reserves	34	**645,980**	617,223
TOTAL EQUITY		**850,439**	803,095
Non-current liabilities			
Convertible notes	30	**72,335**	69,596
Senior notes	31	**569,970**	330,027
		642,305	399,623
Current liabilities			
Other creditors and accruals		**40,765**	30,834
Borrowings	29	**–**	87,167
		40,765	118,001
TOTAL LIABILITIES		**683,070**	517,624
TOTAL EQUITY AND LIABILITIES		**1,533,509**	1,320,719
NET CURRENT LIABILITIES		**(27,450)**	(64,992)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,492,744**	1,202,718

The financial statements on pages 39 to 126 were approved and authorised for issue by the board of directors on 26 March 2015 and are signed on its behalf by:

Duan Chuan Liang
DIRECTOR

Wang Wenxia
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000	PRC statutory reserve HK$'000	Property revaluation reserve HK$'000	Translations reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	180,872	1,149,871	25,434	13,048	(184)	25,565	5,947	66,725	131,751	1,599,029	169,316	1,768,345
Profit for the year	–	–	–	–	–	–	–	–	85,591	85,591	52,207	137,798
Translation exchange differences	–	–	–	–	–	–	–	26,423	–	26,423	2,896	29,319
Total comprehensive income for the year	–	–	–	–	–	–	–	26,423	85,591	112,014	55,103	167,117
Issue of ordinary shares under subscription of shares	5,000	28,000	–	–	–	–	–	–	–	33,000	–	33,000
Equity settled share based payment	–	–	–	19,849	–	–	–	–	–	19,849	–	19,849
Release of property revaluation reserve upon disposal of investment properties	–	–	–	–	–	–	(5,947)	–	5,947	–	–	–
Non-controlling interests arising on the capital injection in a subsidiary	–	–	–	–	–	–	–	–	–	–	12,500	12,500
Deemed disposal of a subsidiary without a loss of control	–	–	–	–	–	–	–	–	3,110	3,110	(3,110)	–
At 31 December 2013 and 1 January 2014	185,872	1,177,871	25,434	32,897	(184)	25,565	–	93,148	226,399	1,767,002	233,809	2,000,811
Profit for the year	–	–	–	–	–	–	–	–	32,070	32,070	25,830	57,900
Translation exchange differences	–	–	–	–	–	–	–	825	–	825	–	825
Total comprehensive income for the year	–	–	–	–	–	–	–	825	32,070	32,895	25,830	58,725
Issue of ordinary shares under placing and subscription of shares	18,587	125,278	–	–	–	–	–	–	–	143,865	–	143,865
Transaction costs attributable to issue of ordinary shares	–	(3,035)	–	–	–	–	–	–	–	(3,035)	–	(3,035)
At 31 December 2014	204,459	1,300,114	25,434	32,897	(184)	25,565	–	93,973	258,469	1,940,727	259,639	2,200,366

The special reserve represents:

(i) the difference between the nominal value of the share capital issued by Wah Yuen Foods International Limited, a subsidiary of the Company, and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation; and

(ii) the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation.

The People's Republic of China (the "PRC") statutory reserves consist of a reserve fund and an expansion fund provided in accordance with the articles of association of the PRC subsidiaries. Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after taxation, prepared in accordance with the PRC rules and regulations, an annual amount to the reserve fund and the expansion fund according to the decision of the board or the articles of association.

The reserve fund is to be used to expand the working capital of the PRC subsidiaries. When the PRC subsidiaries suffer losses, the reserve fund may be used to make up for the accumulated losses under special circumstances.

The expansion fund is to be used for business expansion and, if approved, can also be used to increase the capital of the PRC subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**122,249**	216,596
Adjustments for:		
Interest expenses	**32,053**	31,358
Interest income	**(2,719)**	(1,418)
Depreciation of property, plant and equipment	**12,580**	14,639
Amortisation of prepaid lease payments	**18,987**	3,906
Equity-settled share-based payment	**–**	19,849
Loss on disposals of property, plant and equipment	**2**	–
Gain on disposal of investment properties	**–**	(235,139)
Fair value gain in respect of investment properties revaluation	**(199,603)**	(34,260)
Write-off of property, plant and equipment	**154**	294
Operating cash flows before movements in working capital	**(16,297)**	15,825
Decrease in inventories	**320**	104
Increase in inventory of properties	**(357,303)**	(136,639)
Decrease in trade and other receivables	**209,159**	201,524
Increase (decrease) in trade and other payables	**63,141**	(19,766)
Decrease in deposits received for sale and lease of properties	**(46,196)**	(168,354)
Decrease in deferred income	**(3,918)**	(13,620)
Cash used in operations	**(151,094)**	(120,926)
Interest paid	**(189,635)**	(99,026)
Income tax paid	**(6,680)**	(23,756)
NET CASH USED IN OPERATING ACTIVITIES	**(347,409)**	(243,708)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES		
Additions of acquisition of an intangible asset	**(184,871)**	(32,752)
Additions of investment properties	**(59,483)**	(151,665)
Purchase of available-for-sale investments	**(37,000)**	(12,658)
Purchase of property, plant and equipment	**(256)**	(404)
Interest received	**2,719**	1,418
Proceed from disposal of property, plant and equipment	**86**	–
Additions of prepaid lease payments	**–**	(62,500)
Proceed from disposal of investment properties	**–**	50,000
NET CASH USED IN INVESTING ACTIVITIES	**(278,805)**	(208,561)
FINANCING ACTIVITIES		
New borrowings raised	**1,489,040**	686,075
Proceeds from issue of Senior Notes	**242,027**	334,468
Proceeds from issue of new shares	**140,830**	33,000
Repayment of borrowings	**(1,142,861)**	(373,988)
(Repayment to) advances from related parties	**(151,922)**	87,639
Repayment to non-controlling shareholders of subsidiaries	**(210)**	(7,798)
Contribution from non-controlling shareholders of a subsidiary	**–**	12,500
NET CASH GENERATED FROM FINANCING ACTIVITIES	**576,904**	771,896
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(49,310)**	319,627
Effect of foreign exchange rate changes	**–**	2,244
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**498,810**	176,939
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**449,500**	498,810
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**449,500**	322,222
Pledged bank deposits	**–**	176,588
	449,500	498,810

1. GENERAL

China City Infrastructure Group Limited (formerly known as China Water Property Group Limited) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002.

The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 June 2003. The directors of the Company consider that China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, is the substantial shareholder of the Company. The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's Annual Report.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, to as the "Group") are infrastructure businesses, property investment, property development, hotel business and property management in the PRC.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

— obtain funds from one or more investors for the purpose of providing them with investment management services;

— commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

— measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

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

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

The directors of the Company do not anticipate that the application of the above amendments will have a significant impact on the Group's consolidated financial statements, except as described below.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 9 Financial Instruments *(Continued)*

Same as disclosed in 2013, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the preceding Hong Kong Companies Ordinance (Cap. 32).

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

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 at the end of each reporting period, as explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. A subsidiary is an entity over which the Group has control. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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. 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 component 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(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 or a joint venture.

Business combinations

Acquisitions of businesses 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 former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are 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 the share-based payment arrangements of the acquiree or share-based payment arrangement 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 (see the accounting policy below); 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.

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 of 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 re-assessment, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 interests' 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 their 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 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 fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from 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.

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 (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, could have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

Revenue from sales of properties is recognised when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities.

Rental income from operating lease is recognised in the consolidated statement of profit or loss on a straight-line basis over the terms of the relevant lease.

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

Management service income is recognised when management services are provided.

Deferred income

Receipts in advance from long-term leases are credited to a deferred income account and are credited to the profit or loss on a straight-line basis over the period of the leases.

Investment in subsidiaries

A subsidiary is an entity (including a structured entity) over which the group has control. Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings and leasehold improvement for hotel operation held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss and is not depreciated. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when 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.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties 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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earns rentals or land for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use rights and are expensed in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on first-in, first-out basis. Cost includes cost of purchases and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventory of properties

Inventory of properties included properties under development and properties held for sale which are included in current assets at the lower of cost and net realisable value.

The costs of properties under development consist of construction expenditures, amounts capitalised in respect of amortisation of upfront payments of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less costs expected to be incurred to completion and selling and marketing costs. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle, which are classified as properties held for development under non-current assets.

No depreciation is provided on properties under development.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, available-for-sale ("AFS") financial assets and "loans and receivables". 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter periods to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

AFS financial assets

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets *(Continued)*

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a 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 that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are 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 of 60 days, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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 was recognised, the previously recognised asset loss is reversed through profit or loss to the extent that the carrying amount of the asset the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including borrowings, senior notes, trade and other payables, amounts due to non-controlling shareholders of subsidiaries and amounts due to related parties) 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 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 those financial liabilities classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes

Convertible notes issued by the Group 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 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. Where the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in convertible notes equity reserve will be transferred to accumulated 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 component are recognised directly to 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Impairment losses on 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that the asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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 on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 because of items of income or expense that are taxable or deductible in other years and 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 by the end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 cover or settle the carrying amount of its asset and liabilities.

For the purposes of measuring deferred tax liabilities and 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 tax and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax 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.

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 (that is, the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting 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) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non- controlling interests as appropriate).

On the disposal of a foreign operation that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of a control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation, 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 that does not result in the Group losing control over a subsidiary that includes a foreign operation, 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 disposal that is, partial disposal of associates or jointly controlled entitles that do not result in the Group losing significant influence or joint control. The proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme for Hong Kong employees and state-managed retirement benefits schemes for employees in the People's Republic of China (the "PRC") are charged as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and cash on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to cash and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Estimated impairment on property, plant and equipment

Property, plant 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 property, plant 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. At 31 December 2014, no impairment loss was recognised for property, plant and equipment (2013: nil).

(c) Allowance for doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. At 31 December 2014, the carrying amount of trade receivable was approximately HK$39,579,000 (2013: approximately HK$12,425,000). There is no allowance for doubtful debts required (2013: nil).

(d) Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise in the future period. At 31 December 2014, the carrying amount of goodwill was approximately HK$174,605,000 (2013: approximately HK$174,605,000), net of accumulated impairment loss of none (2013: nil). Details of the recoverable amount calculation are disclosed in Note 18.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, senior notes, trade and other receivables, available-for-sale investments, trade and other payables, amounts due to non-controlling shareholders of subsidiaries, amounts due to related parties and convertible notes. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk management

Certain assets and liabilities of the Group are denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2014 HK$'000	**Liabilities 2014 HK$'000**	Assets 2013 HK$'000	Liabilities 2013 HK$'000
Renminbi ("RMB")	**556,243**	**2,329,717**	779,759	1,968,510

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK$.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK$, the effect in the profit or loss and other comprehensive income for the year is as follows:

	2014 HK$'000	2013 HK$'000
Decrease/increase in other comprehensive income	**79,768**	53,105
Increase/decrease in profit or loss	**8,906**	6,333

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities based on the earliest date on which the Group be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights to demand for repayment on short notice. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	2014							
	Weight average interest rate	Within 1 month or on demand HK$'000	1–3 months HK$'000	3 months–1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	N/A	713,127	–	–	–	–	713,127	713,127
Amounts due to non-controlling shareholders of subsidiaries	N/A	2,608	–	–	–	–	2,608	2,608
Amounts due to related parties	12%	1,026	2,052	111,838	–	–	114,916	102,604
Borrowings	8.96%	9,772	25,312	939,590	650,374	159,762	1,784,810	1,511,378
Convertible notes	7.55%	–	–	2,447	86,426	–	88,873	72,335
Senior notes	15.25%	–	–	75,000	675,000	–	750,000	569,970
		726,533	27,364	1,128,875	1,411,800	159,762	3,454,334	2,972,022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk management *(Continued)*

	2013							
	Weight average interest rate	Within 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	N/A	670,263	–	–	–	–	670,263	670,263
Amounts due to non-controlling shareholders of subsidiaries	N/A	2,818	–	–	–	–	2,818	2,818
Amounts due to related parties	12%	2,545	5,091	277,433	–	–	285,069	254,526
Borrowings	8%	3,522	190,264	366,194	707,684	51,665	1,319,329	1,165,199
Convertible notes	7.55%	–	–	2,447	88,961	–	91,408	69,596
Senior notes	14.9%	–	–	43,750	437,500	–	481,250	330,027
		679,148	195,355	689,824	1,234,145	51,665	2,850,137	2,492,429

Credit risk management

The Group's maximum exposure to credit risk in the event of counterparties failure to perform their obligations at 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those 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 in time to recover overdue debts. In addition, management of the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

Management of the Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing position, alternative financing and hedging. Based on these scenarios, management of the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shifts is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group's cash flow interest rate risk is mainly concentrated on the Group's RMB denominated borrowings which will be impacted by the fluctuation of benchmark interest rate published by the PRC government.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk management *(Continued)*

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for all non-derivative instrument at the end of the reporting date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by approximately HK$3,132,000 (2013: decrease/increase by approximately HK$2,290,000).

Fair values measurement

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 *Financial Instruments: Disclosures*, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2014 and 2013, there were no financial instruments carried at any level of the fair value hierarchy.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 2013.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Estimation of fair value

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Available-for-sale investments, bank balances and cash, pledged bank deposits, trade and other receivables, trade and other payables, amounts due to related parties and amounts due to non-controlling shareholders of subsidiaries

The carrying values approximate their fair value because of the short maturities of these instruments.

(ii) Borrowings

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

(iii) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2014 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

(iv) Convertible notes

Appropriate valuation methods and assumptions with reference to market conditions existing at the end of each reporting period to determine the fair value of the liability portion of the convertible bonds. The basis for determining the fair value is disclosed in Note 30.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 shareholders 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 raise new debts, adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings divided by total equity.

The management considers the gearing ratio at the end of reporting period is as follows:

	2014	2013
	HK$'000	HK$'000
Borrowings, net of cash and cash equivalents	**1,061,878**	666,389
Senior notes	**569,970**	330,027
Convertible notes	**72,335**	69,596
Total net borrowings	**1,704,183**	1,066,012
Total equity	**2,200,366**	2,000,811
Total net borrowings to total equity ratio	**0.77**	0.53

The increase in the gearing ratio during the year was resulted primarily from the new borrowings raised for Group's development and operations.

6. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's consolidated financial statements.

The Group's operating segments are identified on the basis of annual reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's operating segments are as follows:

— Property Development Business Segment engages in development of property project in the PRC

— Property Investment Business Segment engages in leasing of investment properties in the PRC

— Hotel Business Segment engages in operation of hotel in the PRC

— Property Management Businesses Segment engages in provision of property management and other services in the PRC

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2014

	Property Development Business HK$'000	Property Investment Business HK$'000	Hotel Business HK$'000	Property Management Business HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	**162,871**	**21,484**	**41,954**	**5,861**	**232,170**
RESULT					
Segment operating results before impairment	**9,447**	**14,298**	**(12,710)**	**(45)**	**10,990**
Fair value gain in respect of investment properties revaluation	**–**	**199,603**	**–**	**–**	**199,603**
Unallocated corporate income					**4,984**
Unallocated corporate expense					**(61,275)**
Finance costs					**(32,053)**
Profit before tax					**122,249**
Income tax expense					**(64,349)**
Profit for the year					**57,900**

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2013

	Property Development Business HK$'000	Property Investment Business HK$'000	Hotel Business HK$'000	Property Management Business HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	287,818	31,269	42,396	6,782	368,265
RESULT					
Segment operating results before impairment	33,375	14,256	(8,524)	(165)	38,942
Fair value gain in respect of investment properties revaluation	–	34,260	–	–	34,260
Gain on disposal of investment properties	–	235,139	–	–	235,139
Unallocated corporate income					305
Unallocated corporate expense					(60,692)
Finance costs					(31,358)
Profit before tax					216,596
Income tax expense					(78,798)
Profit for the year					137,798

Segment profit represents the profit earned by each segment without allocation of interest income, finance costs and the central administration costs including staff costs, directors' emoluments and other expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Property Development Business		Property Investment Business		Hotel Business		Property Management Business		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS										
Goodwill	**174,605**	174,605	**–**	–	**–**	–	**–**	–	**174,605**	174,605
Inventory of properties	**1,590,385**	1,711,400	**–**	–	**–**	–	**–**	–	**1,590,385**	1,711,400
Investment properties	**–**	–	**2,922,786**	2,081,013	**–**	–	**–**	–	**2,922,786**	2,081,013
Other assets	**315,383**	387,454	**89,331**	433,247	**332,709**	109,680	**1,302**	1,525	**738,725**	931,906
Segment assets	**2,080,373**	2,273,459	**3,012,117**	2,514,260	**332,709**	109,680	**1,302**	1,525	**5,426,501**	4,898,924
Unallocated corporate assets									**408,829**	249,967
Consolidated assets									**5,835,330**	5,148,891
LIABILITIES										
Segment liabilities	**2,193,213**	2,081,234	**600,661**	322,384	**134,777**	4,633	**2,970**	3,847	**2,931,621**	2,412,098
Unallocated corporate liabilities									**703,343**	735,982
Consolidated liabilities									**3,634,964**	3,148,080
OTHER INFORMATION										
Additions to property, plant and equipment	**138**	252	**–**	–	**116**	4	**2**	148	**256**	404
Depreciation of property, plant and equipment	**2,308**	3,413	**117**	173	**9,805**	9,722	**73**	63	**12,303**	13,371
Write-off property, plant and equipment	**154**	294	**–**	–	**–**	–	**–**	–	**154**	294
Additions to investment properties	**–**	–	**59,483**	151,665	**–**	–	**–**	–	**59,483**	151,665
Amortisation of prepaid lease payments	**–**	–	**18,987**	3,906	**–**	–	**–**	–	**18,987**	3,906
Additions to prepayment for acquisition of an intangible asset	**–**	–	**–**	–	**218,462**	32,752	**–**	–	**218,462**	32,752

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash which is used for corporate financing and other financial assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than senior notes, convertible notes and other financial liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the two principal geographical areas — Hong Kong and the PRC.

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

	Revenue from external customers		Non-current assets*	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**6**	734
The PRC	**232,170**	368,265	**3,437,677**	2,420,925
	232,170	368,265	**3,437,683**	2,421,659

* Non-current assets exclude financial instruments.

Information of major customers

The revenues from external customers are attributed to places on the basis of the customer's location. For the year ended 31 December 2014 and 2013, no single external customers accounted for 10% or more of the Group's consolidated turnover.

7. TURNOVER AND OTHER OPERATING INCOME

An analysis of turnover and other operating income is as follows:

	2014	2013
	HK$'000	HK$'000
(a) Turnover		
Sales of properties	**162,871**	287,818
Rental income	**21,484**	31,269
Hotel operation income	**41,954**	42,396
Property management income	**5,861**	6,782
Total turnover	**232,170**	368,265
(b) Other operating income		
Interest income	**2,719**	1,418
Sundry income	**3,842**	403
Total other operating income	**6,561**	1,821

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expense on bank loans, and other borrowings wholly repayable within five years	**93,170**	112,799
Effective interest expense on convertible notes (Note 30)	**5,333**	5,111
Effective interest expense on senior notes (Note 31)	**71,510**	4,501
	170,013	122,411
Less: amounts capitalised in the cost of qualifying assets (Notes 19 and 22)	**(137,960)**	(91,053)
	32,053	31,358

The weighted average capitalisation rate on funds borrowed generally is 6.49 % per annum (2013: 5.32% per annum).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2014 HK$'000	2013 HK$'000
Directors' fees	**1,075**	1,000
Salaries and allowances	**10,244**	10,393
Discretionary bonuses	**8,000**	5,000
Retirement benefit scheme contributions	**54**	55
Equity-settled share-based payment	**–**	16,456
	19,373	32,904

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2014

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
EXECUTIVE DIRECTORS					
Ms. Wang Wenxia	210	4,289	3,600	17	8,116
Mr. Ren Qian	180	–	–	–	180
NON-EXECUTIVE DIRECTORS					
Mr. Duan Chuan Liang	300	5,417	4,400	17	10,134
Mr. Zhou Kun	100	538	–	20	658
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Chan Pok Hiu	95	–	–	–	95
Mr. Wong Chi Ming	95	–	–	–	95
Mr. Wang Jian	95	–	–	–	95
	1,075	10,244	8,000	54	19,373

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2013

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
EXECUTIVE DIRECTORS						
Ms. Wang Wenxia	180	4,440	1,800	15	4,037	10,472
Mr. Ren Qian	180	–	–	–	335	515
NON-EXECUTIVE DIRECTORS						
Mr. Duan Chuan Liang	300	5,417	3,200	15	11,281	20,213
Mr. Zhou Kun	100	536	–	25	335	996
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Chan Pok Hiu	80	–	–	–	156	236
Mr. Wong Chi Ming	80	–	–	–	156	236
Mr. Wang Jian	80	–	–	–	156	236
	1,000	10,393	5,000	55	16,456	32,904

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2014 included two (2013: three) directors of the Company. The emoluments of the remaining three (2013: two) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**5,640**	2,148
Retirement benefit schemes contributions	**180**	30
Equity-settled share-based payment	**–**	571
	5,820	2,749

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

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

(c) During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**4,876**	65,756
Land Appreciation Tax ("LAT") in the PRC		
— Current year	**11,679**	34,819
— (Over) under provision in prior year	**(2,107)**	10,228
Current tax charge for year	**14,448**	110,803
Deferred tax charge (credit) for the year (Note 36)	**49,901**	(32,005)
	64,349	78,798

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for both years.

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable. PRC LAT is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

10. INCOME TAX EXPENSE *(Continued)*

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**122,249**	216,596
Tax at PRC EIT rate of 25% (2013: 25%)	**30,562**	54,149
Tax effect of expenses not deductible for tax purposes	**17,458**	16,647
Tax effect of income not taxable for tax purposes	**(3,202)**	(2,842)
Tax effect on tax losses not recognised	**–**	525
Utilisation of tax loss previously not recognised	**–**	(40,570)
Effect of different tax rates of subsidiaries operating in Hong Kong from tax loss	**9,959**	5,842
LAT	**9,572**	45,047
Tax charge for the year	**64,349**	78,798

11. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**56,318**	53,971
Equity-settled share-based payment	**–**	19,849
Retirement benefits scheme contributions, including contributions for directors	**1,020**	1,605
Total staff costs	**57,338**	75,425
Auditors' remuneration	**1,177**	1,173
Amortisation of prepaid lease payments	**18,987**	3,906
Depreciation of property, plant and equipment	**12,580**	14,639
Loss on disposal of property, plant and equipment	**2**	–
Write-off of property, plant and equipment	**154**	294
Operating lease rental expenses in respect of rented premises	**30,445**	28,229

11. PROFIT FOR THE YEAR *(Continued)*

	2014 HK$'000	2013 HK$'000
Gross rental income from investment properties	**(21,484)**	(31,269)
Less: Direct operating expenses from investment properties that generate rental income during the year	**3,193**	7,276
	(18,291)	(23,993)

12. DIVIDENDS

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

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable is based on the earnings attributable to the owners of the Company of approximately HK$32,070,000 (2013: approximately HK$85,591,000) and on the weighted average ordinary share of 1,874,509,250 (2013: 1,835,572,176 shares) deemed to be in issue during the year.

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

	THE GROUP 2014 HK$'000	2013 HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share	**32,070**	85,591
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**–**	5,111
Earnings for the purpose of diluted earnings per share	**32,070**	90,702

	2014 share(s)	2013 share(s)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,874,509,250**	1,835,572,176
Effect of dilutive potential ordinary shares:		
Convertible notes	**–**	215,683,682
Share options	**–**	2,829,640
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,874,509,250**	2,054,085,498

13. EARNINGS PER SHARE *(Continued)*

For the year ended 31 December 2014, the computation of diluted earnings per share has not assumed the conversion of the Company's outstanding convertible notes and share options since their exercise would result in an increase in earnings per share.

14. PREPAID LEASE PAYMENTS

The Group's interest in land use rights and leasehold land represented prepaid operating lease payments and their carrying values are analysed as follows:

	2014 **HK$'000**	2013 HK$'000
COST		
At 1 January	**63,291**	–
Addition	**–**	62,500
Exchange difference	**–**	791
At 31 December	**63,291**	63,291
ACCUMULATED AMORTISATION		
At 1 January	**3,955**	–
Amortisation for the year	**18,987**	3,906
Exchange difference	**–**	49
At 31 December	**22,942**	3,955
CARRYING AMOUNTS		
At 31 December	**40,349**	59,336

The land use rights and leasehold land of the Group at 31 December 2014 and 2013 are held on medium term leases and situated on the PRC.

Analysed for reporting purposes as:

	2014 **HK$'000**	2013 HK$'000
Current assets	**18,988**	18,988
Non-current assets	**21,361**	40,348
	40,349	59,336

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$'000	Furniture and equipment HK$'000	Leasehold improvement for hotel operation HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST						
At 1 January 2013	40,633	19,793	64,155	18,738	21,426	164,745
Additions	–	341	–	63	–	404
Disposals	–	(9)	–	–	–	(9)
Write-off	–	(686)	–	–	–	(686)
Exchange difference	1,029	455	1,624	411	533	4,052
At 31 December 2013 and 1 January 2014	41,662	19,894	65,779	19,212	21,959	168,506
Additions	–	256	–	–	–	256
Disposals	–	–	–	(354)	–	(354)
Write-off	(41,662)	(10,354)	–	(878)	(21,593)	(74,487)
At 31 December 2014	–	9,796	65,779	17,980	366	93,921
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	40,388	14,983	9,925	8,059	21,426	94,781
Provided for the year	138	1,954	9,280	3,267	–	14,639
Eliminated on disposals	–	(9)	–	–	–	(9)
Write-off	–	(392)	–	–	–	(392)
Exchange difference	1,024	365	369	212	533	2,503
At 31 December 2013 and 1 January 2014	41,550	16,901	19,574	11,538	21,959	111,522
Provided for the year	–	1,020	9,397	2,163	–	12,580
Eliminated on disposals	–	–	–	(266)	–	(266)
Write-off	(41,550)	(10,354)	–	(836)	(21,593)	(74,333)
At 31 December 2014	–	7,567	28,971	12,599	366	49,503
CARRYING AMOUNTS						
At 31 December 2014	–	2,229	36,808	5,381	–	44,418
At 31 December 2013	112	2,993	46,205	7,674	–	56,984

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rate per annum:

Buildings	Over the relevant lease terms, or 20 years, whichever is the shorter
Furniture and equipment	16%–20%
Leasehold improvement for hotel operation	14%
Motor vehicles	20%–30%
Plant and machinery	8%–10%

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**74,772**	74,772
Amounts due from subsidiaries	**1,875,108**	1,650,195
Amounts due to subsidiaries	**(429,686)**	(457,257)
	1,520,194	1,267,710

The carrying amounts of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation undertaken in preparation for the listing of the Company's shares on the Stock Exchange in 2003 (the "Group Reorganisation").

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within one year from the end of reporting period. Accordingly, such amounts have been classified as non-current. The directors consider that the amounts due from subsidiaries approximate their fair value.

Particulars of the Company's principal subsidiaries at 31 December 2014 and 2013 are set out in Note 45.

17. INVESTMENT PROPERTIES

	Investment properties in the PRC HK$'000	Investment properties under redevelopment in the PRC (note) HK$'000	Investment properties under development in the PRC HK$'000	Total HK$'000
At fair value				
At 1 January 2013	1,424,692	230,863	423,457	2,079,012
Additions	23,410	–	128,255	151,665
Disposal	–	(233,750)	–	(233,750)
Fair value change recognised in profit or loss	(154,660)	–	188,920	34,260
Transfer upon completion	753,164	–	(753,164)	–
Exchange difference	34,407	2,887	12,532	49,826
At 31 December 2013 and 1 January 2014	2,081,013	–	–	2,081,013
Transfer from inventory of properties (Note 22)	–	–	582,687	582,687
Additions	59,483	–	–	59,483
Fair value change recognised in profit or loss	51,910	–	147,693	199,603
At 31 December 2014	2,192,406	–	730,380	2,922,786

The Group's investment properties are held under medium term lease and are situated in the PRC.

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

Details of the pledged investment properties at 31 December 2014 and 2013 are set out in Note 39.

note: Approval-in-principle was given to the Group to change the use of the land in Guangzhou from industrial use to residential-commercial use during year 2012. As a result, the land has been reclassified as investment property under redevelopment. The payment of 30% of the market value of the land interest after the change in use is effected. According to the tendering results published by Guangzhou Municipal Land Resources and Housing Administrative Bureau on 15 September 2013, the land was successfully bought by an independent third party at a consideration of approximately HK$597,500,000 and the Group has recorded a net gain of approximately HK$235,139,000.

17. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 December 2014 and 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation of investment properties in Wuhan (Future City Shopping Centre) was arrived at with adoption of the direct comparison method assuming the property is capable of being sold in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales evidence as available in the relevant markets or, wherever appropriate, the investment method by taking into account the current rents passing and the reversionary income potential of the property.

The valuation of investment properties in Hangzhou was arrived at with adoption of the direct comparison method assuming the property is capable of being sold in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales evidence as available in the relevant markets or, wherever appropriate, the investment method by taking into account the current rents passing and the reversionary income potential of the property.

The valuation of investment properties in Wuhan (Commercial part of Zhongshui Longyang Plaza) was arrived at with adoption of direct comparison method assuming the property is capable of being sold in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

Additional valuation method is adopted for the best estimation of the current market situation and the properties condition. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy at 31 December 2014 and 2013 are as follows:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Fair value at 31 December 2014 HK$'000**
Investment properties in the PRC	–	–	2,922,786	2,922,786

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value at 31 December 2013 HK$'000
Investment properties in the PRC	–	–	2,081,013	2,081,013

There were no transfer into or out of level 3 during the year.

17. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of the Group's investment properties *(Continued)*

The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment Properties held by the Group	Valuation technique(s)	Significant unobservable inputs	Relation of unobservable inputs for fair value
Future City Shopping Centre in Wuhan	Combination of direct comparison method and investment method	(1) Reversionary yield: 6%	The increase in the reversionary yield would result in a decrease in fair value.
		(2) Estimated market unit sales price per square metre (RMB): 11,700–46,800	The increase in the market unit sales price would result in an increase in fair value.
Commercial part of Mei Lai International Centre in Hangzhou	Combination of direct comparison method and investment method	(1) Reversionary yield: 4.75%	The increase in the reversionary yield would result in a decrease in fair value
		(2) Estimated market unit sales price per square metre (RMB): 16,000–34,100	The increase in the market unit sales price would result in an increase in fair value.
Commercial part of Zhongshui Longyang Plaza in Wuhan	Direct comparison method	Estimated market unit sales price per square metre (RMB): 14,100–32,300	The increase in the market unit sales price would result in an increase in fair value.

18. GOODWILL

On 18 December 2009, the Group acquired 100% of the shares of China Water Property (Hong Kong) Group Limited, an unlisted company based in the PRC. It holds properties under development. The existing strategic management function and associated processes were acquired with the property, and as such, the directors consider this transaction the acquisition of a business, rather than an asset acquisition.

18. GOODWILL *(Continued)*

The amount of goodwill capitalised as an asset in the consolidated statement of financial position, arising from business combination and the carrying amounts of goodwill was as follows:

	Property Development Business HK$'000
COST	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	174,605
IMPAIRMENT	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	–
CARRYING AMOUNTS	
At 31 December 2014	174,605
At 31 December 2013	174,605

Impairment testing on Goodwill

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

Property development

Goodwill has been allocated for impairment testing purposes to the property development business cash generating unit ("CGU").

The recoverable amount of property development unit have been determined based on a value in use calculation represented by the management using cash flow projections based on CGU financial budgets covering a five-year period. The discount rate applied to the cash flow projections is based on the weighted average borrowing rate which is 10.57%. Cash flow projections during the budget period are based on the expected gross margin and expected completion date of different projects.

The value calculated by using the discount rate is higher than the carrying amount of the CGU; accordingly, the management of the Group determined that there is no impairment of its goodwill at 31 December 2014.

19. PREPAYMENT FOR ACQUISITION OF AN INTANGIBLE ASSET

The Group entered into a co-operation agreement with an independent third party in the PRC. According to the co-operation agreement, the Group has to construct a hotel (the "Nanjing Hotel") at her own cost and responsible for the construction. The whole construction is expected to be completed within one to two years. An operational right of the Nanjing Hotel will be granted to the Group for a period of thirty years upon the completion of the Nanjing Hotel construction. The amount incurred in the construction will be reclassified as hotel operation right upon completion of the Nanjing Hotel construction. The capital commitment in relation to acquisition of this intangible asset at 31 December 2014 and 2013 is set out in Note 41.

20. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Unlisted equity security at cost (note a)	**12,658**	12,658
Unlisted investment at cost (note b)	**37,000**	–
	49,658	12,658

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	**37,000**	–
Non-current assets	**12,658**	12,658
	49,658	12,658

notes:

(a) The unlisted equity investment represents the investment in Beijing Huangcheng Club & Culture Company Limited* (the "Huangcheng Club"), a limited liability company established in the PRC. The principal activity of the Huangcheng Club is organising cultural exchange activities and exhibitions. The Group owns 10% of the registered capital in the Huangcheng Club. The investment is measured at cost less impairment at the end of each reporting period because the directors are of the opinion that its fair value cannot be reliably measured. The directors consider that the carrying amount of the investment approximates its fair value.

(b) The unlisted investment represents the investment in an unit fund established by a limited liability company established in the Cayman Islands. The unit fund is managed by a licensed corporation which is registered with Hong Kong Securities and Futures Commission. At the end of reporting period, the unit fund consisted mainly of Renminbi fixed deposits in Hong Kong financial institutions. The investment is measured at cost less impairment at the end of the reporting period because the directors are of the opinion that its fair value cannot be reliably measured. The directors consider that the carrying amount of the investment approximates its fair value.

* *For identification purpose only*

21. INVENTORIES

	THE GROUP 2014 HK$'000	2013 HK$'000
Consumables	**538**	858

None of the inventories of the Group was carried at net realisable value at the end of the reporting period.

22. INVENTORY OF PROPERTIES

	THE GROUP 2014 HK$'000	2013 HK$'000
At beginning of the year	**1,711,400**	1,456,297
Construction costs incurred	**448,943**	319,846
Capitalisation of interest (Note 8)	**104,369**	91,053
Recognition of cost of sales	**(91,640)**	(183,207)
Transfer to investment properties (Note 17)	**(582,687)**	–
Exchange differences	**–**	27,411
At end of the year	**1,590,385**	1,711,400

	THE GROUP 2014 HK$'000	2013 HK$'000
Properties under development	**1,055,634**	1,130,267
Properties held for sale	**534,751**	581,133
	1,590,385	1,711,400

The inventory of properties are located in the PRC and are held under medium-term leases or long-term leases.

Details of the pledged inventories of properties at 31 December 2014 and 2013 are set out in Note 39.

The amounts which are expected to be realised within the Group's normal operating cycle in more than twelve months after the reporting date are classified as under current assets.

23. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**39,579**	12,425
Less: Allowance for doubtful debts	**–**	–
	39,579	12,425
Prepayments for construction work	**110,714**	44,893
Receivable on disposal of subsidiaries	**879**	879
Receivable on disposal of investment properties	**56,456**	372,911
Other receivables, prepayments and other deposits (note)	**80,950**	65,804
	288,578	496,912

Note: Included in other receivables, prepayments and other deposits are amounts of approximately HK$12,162,000, HK$14,285,000 and HK$8,370,000 (2013: approximately HK$13,236,000, HK$15,050,000 and HK$8,658,000) for the repair and maintenance deposit paid to the government and utility deposit and amount due from non-controlling shareholder of a subsidiary respectively.

An aging analysis of trade receivables (net of allowance for doubtful debts) is as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Within 90 days	**34,738**	11,704
91 to 180 days	**44**	213
Over 180 days	**4,797**	508
	39,579	12,425

The directors consider that the carrying amounts of trade and other receivables approximate their respective fair value.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreement. The portions received on or before the date of delivery of the properties to customers are recorded as deposits received for sale of properties. The remaining balances are normally settled within 1–3 months from date of delivery of the properties to the customers.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 1–3 months from the issuance of invoices for customers.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The following table shows the amounts of receivable which are past due but not impaired as the balances related to debtors with sound repayment history and there has not been a significant change in credit quality and the amounts are still considered recoverable.

An aging analysis of trade receivables past due but not impaired is as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Overdue by:		
1–30 days	**44**	213
31–60 days	**937**	508
61–180 days	**3,825**	–
Over 180 days	**35**	–
	4,841	721

Movement in the allowance for doubtful debts:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Amounts written off as uncollectible	**–**	–
Balance at end of the year	**–**	–

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits (Note 39)	**–**	176,588	**–**	50,000
Bank balances and cash	**449,500**	322,222	**13,018**	2,778
	449,500	498,810	**13,018**	52,778

These bank balances carry interest at market rates which range from 0.01% to 0.35% (2013: 0.01% to 0.35%) per annum. At 31 December 2013, the pledged bank deposits carry interest rate which range from 0.02% to 0.385% per annum (2014: nil).

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group and the Company.

25. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Within 90 days	**483,783**	291,237
91 to 180 days	**1,153**	1,139
Over 180 days	**30,446**	20,906
Trade payables	**515,382**	313,282
Interest payables	**32,466**	52,743
Accrued expenses	**11,495**	22,100
Other tax payables	**–**	10,667
Other payables (note)	**153,784**	271,471
	713,127	670,263

Trade payables principally comprise amounts outstanding for purchase of construction materials and construction work of properties under development and investment properties.

The average credit period of trade payables is three to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade and other payables approximate their fair value.

note: The other payables included approximately HK$Nil and HK$25,516,000 (2013: approximately HK$116,491,000 and HK$16,363,000), being advances from independent third parties and deposit received from vendor for construction work respectively. The amounts from independent third parties were unsecured, non-interest bearing and repayable on demand.

26. DEPOSITS RECEIVED FOR SALE AND LEASE OF PROPERTIES

The amounts which are expected to be realised within twelve months after the reporting date are classified under current liabilities as it is within the Group's normal operating cycle.

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Deposits received for sale of properties	**124,217**	128,485
Deposits received for lease of properties	**3,399**	45,327
	127,616	173,812
Less: Amounts shown under current liabilities	**(124,217)**	(134,601)
Amounts shown under non-current liabilities	**3,399**	39,211

27. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

These amounts are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of these amounts approximate their fair value.

28. AMOUNTS DUE TO RELATED PARTIES

These amounts are unsecured, interest bearing at 12–15% per annum and repayable within one year. The directors consider that the carrying amount of these amounts approximates to their fair value.

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Shareholder's subsidiaries				
Unsecured, bearing interest at 12–15% per annum and repayable within one year	**102,604**	249,255	**–**	–
Unsecured, non-interest bearing, repayable on demand	**–**	5,271	**–**	–
	102,604	254,526	**–**	–

29. BORROWINGS

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**1,285,935**	1,079,389	**–**	87,167
Other loans	**225,443**	85,810	**–**	–
	1,511,378	1,165,199	**–**	87,167
Analysis as:				
Secured	**1,204,492**	1,067,539	**–**	50,000
Unsecured	**306,886**	97,660	**–**	37,167
	1,511,378	1,165,199	**–**	87,167
Carrying amount repayable				
Within one year	**1,012,413**	561,139	**–**	87,167
More than one year, but not exceeding two years	**205,064**	335,073	**–**	–
More than two years, but not more than five years	**225,547**	221,519	**–**	–
More than five years	**68,354**	47,468	**–**	–
	1,511,378	1,165,199	**–**	87,167
Less: Amounts due within one year shown under current liabilities	**(1,012,413)**	(561,139)	**–**	(87,167)
	498,965	604,060	**–**	–

The bank loans and other loans carry interest at the prevailing market rates.

According to HK-Int 5 which requires the classification of the whole term loans containing a repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$nil (2013: HK$37,167,000) have been reclassified from non-current liabilities to current liabilities at 31 December 2014.

The directors consider that the carrying amount of borrowings approximate their fair value.

29. BORROWINGS *(Continued)*

The exposure of the Group's fixed rate borrowings and the in contractual maturity dates (or reset dates) are as follows:

	2014 **HK$'000**	2013 HK$'000
Fixed rate borrowings:		
— Within one year	**776,076**	379,481
— More than one year, but not exceeding two years	**–**	240,506
	776,076	619,987

The variable interest rate borrowings are reset from a month to a year depending on the loan agreement.

Fixed rate borrowings carry interest rate at rates which range from 6% to 22% (2013: 2.89% to 20%) per annum, while the variable rate borrowings carry interest rate at rates which range from 6.77% to 8.52% (2013: 4.21% to 8.84%) per annum.

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2014 **RMB'000**	2013 RMB'000
Currency — RMB	**1,193,989**	851,646

30. CONVERTIBLE NOTES

Convertible notes due on 13 November 2017

On 13 November 2007, the Company issued convertible notes with an aggregate principal amount of HK$180,050,000 ("2017 Notes"), due on 13 November 2017 and bearing interest at 3% per annum payable semi-annually in arrear. The 2017 Notes were issued as part of the consideration for the acquisition of the entire issued share capital of China Environmental Water Holdings Limited. The 2017 Notes are convertible into fully paid ordinary shares with a par value of HK$0.01 each of the Company at an initial conversion price of HK$0.15, subject to adjustment.

The conversion price of 2017 Notes was adjusted from HK$0.15 to HK$0.045 effective from 12 October 2009 upon the completion of placement. The conversion price was further adjusted from HK$0.045 to HK$0.3781 effective from 24 October 2011 upon the completion of share consolidation and open offer on 17 September 2011 and 24 October 2011 respectively.

The fair value of the liability component was determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amounts represent the value of the equity component and are included in shareholders' equity. The effective interest rate of the liability component is 7.55% per annum. The movement of the liability component of 2017 Notes for the year is set out below:

Carrying amount of liability components of 2017 Notes

	THE GROUP AND THE COMPANY Total HK$'000
At 1 January 2013	66,932
Interest charged (Note 8)	5,111
Interest paid	(2,447)
As 31 December 2013 and 1 January 2014	69,596
Interest charged (Note 8)	5,333
Interest paid	(2,594)
At 31 December 2014	72,335

31. SENIOR NOTES

On 28 November 2013, the Company issued Senior Notes with the principal amount of HK$350,000,000 ("Original Notes") at an offer price of 98.78% of the face value of the notes (the "Senior Notes"). On 14 May, 2014, the Company further issued senior notes with the principal amount of HK$250,000,000 ("Additional Notes") at an offer price of 99.5% of the face value of the notes. The Additional Notes have the same terms and conditions as the Original Notes, save for the issue date and issue price. These Additional Notes were consolidated with the Original Notes to form a single series of Senior Notes. The Senior Notes bear interest at 12.5% per annum payable semi-annually in arrears and are due on 28 November 2016. The Senior Notes are listed on The Stock Exchange of Hong Kong Limited. The Senior Notes carry effective interest rate of 15.25% (2013: 14.9%) per annum. Interest expenses of approximately HK$71,510,000 (2013: 4,501,000) was charged to profit or loss for the year ended 31 December 2014.

The directors consider the carrying amount of Senior Notes approximates their fair value.

The Senior Notes are a general obligation of the Company and senior in the right of payment to any existing and future obligations of the Company and its subsidiaries, which are expressly subordinated in the right of payment to the Senior Notes.

The Senior Notes and the guarantees provided by certain subsidiaries may limit the ability of the Company and certain of its subsidiaries to, among other things (and subject to certain qualifications and exceptions), incur additional indebtedness and issue preferred stock, or make certain investments.

For the benefits of the holders of the Senior Notes, the Company has pledged the capital stock of certain non-PRC subsidiaries to secure the obligations of the Company under the Senior Notes.

The Senior Notes may be redeemed under the following circumstances, including (1) when the Senior Notes are due; (2) a change of control of the Company (as defined in the terms and conditions of the Senior Notes); (3) a change in the relevant tax laws or treaties or a change in the application or official interpretation of such tax laws or treaties; or (4) a repurchase by the Company on the open market.

32. DEFERRED INCOME

	THE GROUP 2014 HK$'000	2013 HK$'000
Arising from rental income	**328**	4,246
Analysed for reporting purpose as		
Current liabilities	**328**	1,317
Non-current liabilities	**–**	2,929
	328	4,246

33. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of ordinary shares HK$0.1 each	Amount HK$'000
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2013	1,808,722,861	180,872
Issue of shares (note a)	50,000,000	5,000
At 31 December 2013 and 1 January 2014	1,858,722,861	185,872
Issue of shares (note b)	185,872,000	18,587
At 31 December 2014	2,044,594,861	204,459

notes:

(a) On 19 June 2013, 50,000,000 shares were issued by the Company as a result of a subscription agreement dated 6 June 2013. Shares were issued at a price of HK$0.66 per share giving the gross proceeds of HK$33,000,000 for general working capital of the Company

(b) On 1 December 2014, 185,872,000 shares were issued by the Company as a result of a placing and subscription agreement and a supplemental placing and subscription agreement dated 17 November 2014 and 21 November 2014 respectively. Shares were issued at a price of HK$0.774 per share giving the gross proceeds of approximately HK$143,865,000 for general working capital of the Company.

34. RESERVES

THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	1,149,871	71,463	25,434	13,048	(645,180)	614,636
Issue of ordinary shares under subscription of shares	28,000	–	–	–	–	28,000
Equity-settled share-based payment	–	–	–	19,849	–	19,849
Loss for the year	–	–	–	–	(45,262)	(45,262)
At 31 December 2013 and 1 January 2014	1,177,871	71,463	25,434	32,897	(690,442)	617,223
Issue of ordinary shares under placing and subscription of shares	125,278	–	–	–	–	125,278
Transaction costs attributable to issue of ordinary shares	(3,035)	–	–	–	–	(3,035)
Loss for the year	–	–	–	–	(93,486)	(93,486)
At 31 December 2014	1,300,114	71,463	25,434	32,897	(783,928)	645,980

The contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise of share premium, contributed surplus, convertible notes equity reserve, share options reserve and accumulated losses which in aggregate amounted to approximately HK$646 million at 31 December 2014 (2013: approximately HK$617 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of retained earnings or other reserves, including the share premium account, of the Company.

35. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 June 2003 for the primary purpose of providing incentives to encourage its participants to perform their best in achieving the goals of the Company and enjoy its result. The participants are any director and eligible employee of the Group; any entity in which any member of the Group holds any equity interest (the "Invested Entity"); any supplier of goods or services and customers to any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, as absolutely determined by the board.

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Group must not in aggregate exceed 10% of the shares in issue on 25 June 2003, being the date on which the Company's shares were listed on the Stock Exchange. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The period within which the shares must be taken up under an option of the Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK$1 is payable on acceptance of the options within 21 days from the date of grant. The subscription price is the highest of (i) the closing price of the shares quoted in the Stock exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant which must be a business day; (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. The Scheme is valid for 10 years from 3 June 2003. No further options may be granted pursuant to the Scheme after 2 June 2013.

The above Scheme expired during year ended 31 December 2013 and was replaced by a new share option scheme ("2013 Option Scheme") which carries the same terms as the scheme.

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of the 2013 Option Scheme and the termination of the Scheme which was adopted by the Company on 3 June 2003. The 2013 Option Scheme will expire on 17 June 2023. Option granted under the Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Scheme.

35. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the Company's options under the Scheme held by directors and employees/consultants and the movements during the year ended 31 December 2014:

Category	Date of grant	Exercise price HK$	Exercisable period DD/MM/YYYY	At 1 January 2014	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2014
Directors	**03/11/2010**	**0.9602**	**03/11/2010 to 02/11/2020**	**25,590,526**	**–**	**–**	**–**	**–**	**25,590,526**
Directors	**23/04/2013**	**0.5980**	**23/04/2013 to 22/04/2023**	**54,262,000**	**–**	**–**	**–**	**–**	**54,262,000**
Directors, employees and consultants	**29/05/2013**	**0.6400**	**29/05/2013 to 28/05/2023**	**42,787,228**	**–**	**–**	**–**	**–**	**42,787,228**
				122,639,754	**–**	**–**	**–**	**–**	**122,639,754**

The following table discloses details of the Company's options under the Scheme held by directors and employees/consultants and the movements during the year ended 31 December 2013:

Category	Date of grant	Exercise price HK$	Exercisable period DD/MM/YYYY	At 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2013
Directors	03/11/2010	0.9602	03/11/2010 to 02/11/2020	25,590,526	–	–	–	–	25,590,526
Directors	23/04/2013	0.5980	23/04/2013 to 22/04/2023	–	54,262,000	–	–	–	54,262,000
Directors, employees and consultants	29/05/2013	0.6400	29/05/2013 to 28/05/2023	–	42,787,228	–	–	–	42,787,228
				25,590,526	97,049,228	–	–	–	122,639,754

The Group issues equity-settled share-based payments to directors, certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually be vested and adjusted for the effect of non-market-based vesting conditions. Options granted during the year 2010 and 2013 were vested at the date of grant.

During the year ended 31 December 2013, the Group incurred share option expenses of approximately HK$19,849,000 (2014: nil).

35. SHARE OPTION SCHEME *(Continued)*

The fair value of the total options granted in the year measured as at 3 November 2010 was HK$15,180,000. The following significant assumptions were used to derive the fair value using the Trinomial Option Pricing Model:

1. an expected volatility was 40.638%;

2. expected no annual dividend yield;

3. the estimated expected life of the options granted in range (10 years); and

4. the risk free rate was 2.133%.

The Trinomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value estimated, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The fair value of the total options granted in the year measured as at 23 April 2013 and 29 May 2013 was HK$11,281,000 and HK$8,568,000 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes model with Trinomial Tree method:

1. an expected volatility was 33.2115% and 33.1596% respectively;

2. expected no annual dividend yield;

3. the estimated expected life of the options granted in range (10 years); and

4. the risk free rate was 1.2551% and 1.4563% respectively.

The Black-Scholes model with Trinomial Tree method requires the input of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value estimated, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options

36. DEFERRED TAX LIABILITIES

The following are the Group's major deferred tax assets and liabilities recognised and movements thereon during the current and prior reporting periods:

	Revaluation on investment properties HK$'000	Revaluation gain arising from business combination HK$'000	Total HK$'000
At 1 January 2013	250,715	137,993	388,708
Exchange difference	5,942	–	5,942
Credited to the consolidated statement of profit or loss for the year (Note 10)	(32,005)	–	(32,005)
At 31 December 2013 and 1 January 2014	224,652	137,993	362,645
Charged to the consolidated statement of profit or loss for the year (Note 10)	49,901	–	49,901
At 31 December 2014	274,553	137,993	412,546

At 31 December 2014 and 2013, the Group had no unused tax losses available for offset against future profit and no deferred tax asset has been recognised accordingly. The unrecognised tax losses may be carried forward indefinitely.

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

At 31 December 2014, the unrecognised deferred tax liabilities were approximately HK$8,082,000 (2013: approximately HK$11,716,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for reversed 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 at 31 December 2014 amounted to approximately HK$80,820,000 (2013: approximately HK$117,156,000).

37. RETIREMENT BENEFITS SCHEME

When the Mandatory Provident Fund Schemes Ordinance ("MPFO") came into effect in Hong Kong on 1 December 2000, The Group established a mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong.

Prior to the introduction of the MPF Scheme, the Group had operated a defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its qualified employees in Hong Kong. The ORSO Scheme was discontinued in 2001 and the benefits of the employees were transferred to the MPF Scheme. The assets held under the ORSO Scheme which were held separately from those of the Group were also transferred directly to the MPF Scheme. For MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.

The amounts charged to the consolidated statement of profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeiture, if any, arising from employees leaving the Group prior to completion of their qualifying service period.

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.

At the end of the reporting period, there was no significant amount of forfeited contributions available to reduce future contributions.

38. DEEMED DISPOSAL OF A SUBSIDIARY WITHOUT A LOSS OF CONTROL

During the year ended 31 December 2013, the Company's indirect wholly owned subsidiary, Jiangsu Hohai Property Development Company Limited*, increased it registered capital from RMB20,000,000 to RMB28,333,333 and the increased capital was subscribed by an independent third party at a cash consideration of RMB10,000,000. Upon the completion of the subscription, the equity interests in Jiangsu Hohai Property Development Company Limited* held by the Group was decreased from 100% to 70.59%, and a gain on deemed disposal of Jiangsu Hohai Property Development Company Limited* of approximately HK$3,110,000 was recognised in reserve.

* *For identification purpose only.*

39. PLEDGE OF ASSETS

At the end of the reporting period, the following assets with their respective net book values were pledged by the Group to secure general banking facilities granted to the Group:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventory of properties together with relevant land use rights situated in the PRC	**761,707**	1,057,295	**–**	–
Investment properties situated in the PRC	**2,164,277**	2,081,013	**–**	–
Investment properties under development situated in the PRC	**730,380**	–	**–**	–
Bank deposits	**–**	176,588	**–**	50,000
	3,656,364	3,314,896	**–**	50,000

40. OPERATING LEASES

(a) The Group as lessee for office and other premises

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Within one year	**26,393**	27,993
In the second to fifty years inclusive	**70,190**	94,508
	96,583	122,501

Operating lease payments represent rentals payable by the Group for certain of its office and premises. Leases are negotiated for a term of between two to seven years and rentals are fixed between two to seven years.

(b) Other lease arrangement

On 22 July 2013, a joint venture agreement was entered into between Shenzhen Zhongshui Property Company Limited* ("Zhongshui Property"), an indirect wholly owned subsidiary of the Company, and the Huangcheng Club, pursuant to which a joint venture company (the "Joint Venture Company") would be established in Beijing, the PRC. The purpose of establishing the Joint Venture Company is to develop and operate the land parcel B14 in Qianmen Avenue, Beijing (the "Leased Land") and the premises. At 31 December 2014, the Joint Venture Company has been established in Beijing, the PRC and owned as to 70% and 30% by each of Zhongshui Property and Huangcheng Club respectively.

* For identification purpose only.

40. OPERATING LEASES *(Continued)*

(b) Other lease arrangement *(Continued)*

The Leased Land was leased from an independent third party, Beijing Qianmen Tianshi Property Development Company Limited* ("Qianmen Tianshi"), with a terms of 20 years (with conditional extension for further 20 years) and for a total rent and development constructions costs of not less than RMB300,000,000 and RMB200,000,000 respectively (equivalent to approximately HK$375,000,000 and HK$250,000,000 respectively).

At 31 December 2014, the Group has paid RMB50,000,000 (equivalent to approximately HK$63,291,000) to Qianmen Tianshi which was recognised as prepaid lease payment (see Note 14). The remaining balance of the rent RMB250,000,000 shall be paid upon construction permit of premises having been obtained. The development construction cost of RMB200,000,000 will be payable according to the progress of construction as stipulated in the construction contract(s).

The Group as lessor

Property rental income earned during the year was HK$21,484,000 (2013: HK$31,269,000). The properties are expected to generate rental yield of 3.61% (2013: 3.47%) on an ongoing basis. All of the properties held have committed tenants within the next six years.

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

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Within one year	**18,456**	22,788
In the second to fifty years inclusive	**13,901**	53,472
More than five years	**4,900**	17,334
	37,257	93,594

* For identification purpose only.

41. CAPITAL COMMITMENTS

At 31 December 2014, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the consolidated financial statements, amounting to approximately HK$452.6 million (2013: approximately HK$480.7 million).

The Group had capital commitments in respect of its acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than approximately HK$132.9 million (2013: approximately HK$229.9 million).

The Group had capital commitments in respect of acquisition agreement announced at 31 December 2014, contracted but not provided in the consolidated financial statements, amounting to approximately HK$25.3 million (2013: Nil).

42. CONTINGENT LIABILITIES

Contingent liabilities at the end of the reporting period are analysed as follows:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	**–**	–	**–**	106,329

The Company has not recognised any deferred income for the guarantees given in respect of borrowing and other banking facilities as their fair value cannot be reliably measured and transaction was minimal.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2014 and 2013.

43. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Compensation to key management personnel:

The directors of the Company considered that they are the only key management personnel of the Group and their remuneration has been set out in Note 9.

(b) Related party transactions:

(i) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following transactions with related parties:

	Finance cost (note i)		Amounts due to related parties (Interest bearing) (note ii)		Amounts due from related party (note iii)		Amounts due to related parties (Non-interest bearing) (note iv)	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Shareholder	**5,333**	5,111	**–**	–	**–**	–	**–**	–
Shareholder's subsidiaries	**4,969**	19,113	**102,604**	249,255	**–**	–	**–**	5,271
Non-controlling interest	**–**	–	**–**	–	**8,370**	8,658	**2,608**	2,818
	10,302	24,224	**102,604**	249,255	**8,370**	8,658	**2,608**	8,089

notes:

(i) The interest paid on the convertible bond and amounts due to related parties. The interest rate ranges from 7.55%–12% p.a. (2013: 7.55%–12% p.a.).

(ii) The amounts are unsecured, interest bearing and repayable on demand. No guarantees have been given or received.

(iii) The transactions are carried out on normal commercial terms.

(iv) The amounts are unsecured, non-interest bearing and repayable on demand. No guarantees have been given or received.

44. EVENTS AFTER REPORTING PERIOD

On 31 December 2014, Zhongshui Property entered into the Acquisition Agreement with Hunan Zhongtian Huayi Investment Company Limited (the "Hunan Vendor") to acquire 70% registered capital of Yongxing Zhongtian Gas Company Limited and Rucheng Zhongtian Gas Company Limited (the "Target Companies"). The Target Companies are two companies established in Hunan Province, the PRC and are based in Yongxing and Rucheng Counties, Chenzhou City, Hunan Province, the PRC. The principal activities of the Target Companies include operation of two exclusive natural gas pipeline distribution network construction rights and exclusive thirty-years natural gas pipeline network and piped-natural gas sales and distribution operating rights projects. Details of the acquisition are set out in the Company's announcement dated 31 December 2014.

On 22 January 2015, the Company resolved to grant 180,872,286 share options to certain Grantees, among who the grant of the share options to Mr. Duan Chuan Liang and Ms. Wang Wenxia are subject to the approvals of independent shareholders. On 27 February 2015, the ordinary resolutions approving the grant of the share options to Mr. Duan Chuan Liang and Ms. Wang Wenxia, and the transactions contemplated thereunder have been duly passed by the Independent Shareholders by way of poll and the ordinary resolution approving the refreshment of the 10% mandate limit under the share options scheme of the Company has been duly passed by the Shareholders by way of poll. Details of the share options are set out in the Company's announcements dated 22 January 2015 and 27 February 2015.

On 6 February 2015, Zhongshui Property entered into the Acquisition Agreement with Xiong Sisong and Xiong Wei (the "Tonggu Vendors") to acquire 90% registered capital of Tonggu County Tongcheng Natural Gas Company Limited (the "Target Company"). The Target Company is a company established in Tonggu County, Jiangxi Province, the PRC. The principal activities of the Target Company include an exclusive thirty-years natural gas pipeline network construction and operating rights projects for urban use (including residential, industrial and commercial use) in Tonggu County, Jiangxi Province, the PRC. Details of the acquisition are set out in the Company's announcement dated 6 February 2015.

On 25 March 2015, China Water Property (Hong Kong) Development Limited (the "Purchaser") entered into the acquisition agreement with Zheng Tingyu* (the "Hangzhou Vendor") to acquire 40% equity interests of two non-wholly owned subsidiaries, HK Mei Lai International (Canada) Limited and Hangzhou Mei Lai Commercial Corporation Management Company Limited* (the "Hong Kong and Hangzhou Target Companies"). The Hangzhou Vendor is the registered holder of 40% of the registered capital of the Hong Kong and Hangzhou Target Companies, the Hangzhou Vendor is a core connected person of the Company at the subsidiary level and the transactions contemplated thereunder will also constitute connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The consideration for the possible acquisition will be settled by the Purchaser by procuring the Hangzhou Niagra Real Estates Company Limited* (an indirect wholly owned subsidiary of the Company) to transfer certain apartments, office and carpark units of the property located in southern side of intersection of Yingbin Road and Wengmei Road, Nanyuan Street, Yuhang District, Hangzhou City to the Hangzhou Vendor. Details of the possible acquisition are set out in the Company's announcement dated 25 March 2015.

* For identification purpose only.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2014	2013	Proportion of voting power held 2014	2013	Principal activities
Directly held:							
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands	Ordinary shares USD10,000	**100%**	100%	**100%**	100%	Investment holdings
Indirectly held:							
China Water Property Corporate Finance Limited 中國水務地產企業財務有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
Shenzhen Zhongshui Property Company Limited* 深圳中水置業有限公司	PRC	Registered and contributed capital RMB80,000,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Investment Limited 中國水務地產(香港)投資有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
Hong Kong Walter Hotel Management Group Limited 香港沃爾特酒店管理集團有限公司	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
China Water Real Property Limited 中國水務房地產有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings

* For identification purpose only.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2014	Percentage of issued capital/ registered attributable to the Group 2013	Proportion of voting power held 2014	Proportion of voting power held 2013	Principal activities
China Water Property Land Development Limited 中國水務地產開發有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Group Limited 中國水務地產(香港)集團有限公司	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Development Limited 中國水務地產發展有限公司	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Investment holdings
Water Property Hubei Group Limited* 水務地產湖北集團有限公司	PRC	Registered and contributed capital RMB200,000,000 (note i)	**100%**	100%	**100%**	100%	Property development
HK Mei Lai International (Canada) Limited 香港美來國際(加拿大)有限公司	Hong Kong	Ordinary shares HK$10,000	**60%**	60%	**60%**	60%	Investment holdings
Hangzhou Niagra Real Estates Company Limited* ("Hangzhou Niagra") 杭州尼加拉置業有限公司	PRC	Registered and contributed capital USD14,900,000 (note i)	**60%**	60%	**60%**	60%	Property development and sale of properties
Hangzhou Mei Lai Commercial Corporation Management Company Limited* 杭州美萊商業企業管理有限公司	PRC	Registered and contributed capital RMB30,000,000	**60%**	60%	**60%**	60%	Provision of management services

* For identification purpose only.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2014	2013	Proportion of voting power held 2014	2013	Principal activities
Hangzhou Pu Tian Property Development Company Limited* 杭州普天房地產開發有限公司	PRC	Registered and contributed capital RMB30,000,000 (note ii)	**60%**	60%	**60%**	60%	Property development and sale of properties
Chunan Yuehuzhuang Hotel Company Limited* 淳安悦湖莊酒店有限公司	PRC	Registered and contributed capital RMB1,000,000	**60%**	60%	**60%**	60%	Provision of hotel operation
Wuhan Future City Commercial Property Management Company Limited* 武漢未來城商業物業管理有限公司	PRC	Registered and contributed capital RMB10,000,000	**100%**	100%	**100%**	100%	Provision of management service
Wuhan Kaiyue Property Development Company Limited* 武漢凱越房地產開發有限公司	PRC	Registered and contributed capital RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Hotel Management Company Limited* 武漢未來城大酒店管理有限公司	PRC	Registered and contributed capital RMB5,000,000	**100%**	100%	**100%**	100%	Provision of hotel operation
Jiangsu Hohai Property Development Company Limited* 江蘇河海置業有限公司	PRC	Registered and contributed capital RMB28,333,333.33	**71%**	71%	**71%**	71%	Property development

* For identification purpose only.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2014	2013	Proportion of voting power held 2014	2013	Principal activities
Wuhan Future City Technology Incubator Company Limited* 武漢未來城科技孵化器有限責任公司	PRC	Registered and contributed capital RMB1,000,000	**100%**	100%	**100%**	100%	Provision of management service
Wuhan Zhong Nan Automobile Parts And Accessories Company Limited* 武漢市中南汽車配件配套有限責任公司	PRC	Registered and contributed capital RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Property Management Company Limited* 武漢未來城物業管理有限公司	PRC	Registered and contributed capital RMB500,000	**100%**	100%	**100%**	100%	Provision of management service
Guangdong Zhongshui Property Development Company Limited* 廣東中水地產開發有限公司	PRC	Registered and contributed capital RMB20,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
China Infrastructure Investments Company Limited 中國基礎設施投資有限公司 (Previously known as China Water Land Limited 中國水務地產有限公司)	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Investment holdings
Jiangxi Zhongshui Culture Industry Investment Development Company Limited* 江西中水文化產業投資發展有限公司	PRC	Registered and contributed capital RMB10,000,000	**100%**	100%	**100%**	100%	Property development

* For identification purpose only.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2014	2013	Proportion of voting power held 2014	2013	Principal activities
北京聖龍文化有限公司	PRC	Registered capital RMB100,000,000 and contributed capital RMB20,000,000	**70%**	–	**70%**	–	Investment holdings
China Environment Investment Limited 中國環境投資有限公司 (Previously known as Citiglory Investment Limited 浩安投資有限公司)	Hong Kong	Ordinary share HK$1	**100%**	–	**100%**	–	Investment holdings
邁森融資租賃(上海)有限公司	PRC	Registered and contributed capital RMB170,000,000	**100%**	–	**100%**	–	Investment holdings

notes:

(i) Hangzhou Niagra Real Estates Co. Ltd and Water Property Group Hubei Limited are wholly foreign owned enterprises established in the PRC.

(ii) Hangzhou Pu Tian Property Development Co., Ltd. is a sino-foreign joint venture enterprise established in the PRC.

(iii) None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

The above table lists the subsidiaries of the Group which, in the opinions 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.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Material non-controlling interest

The following table lists out the information relating to the consolidated results and financial position of major subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before elimination of any inter-company transactions.

	2014 HK$'000	2013 HK$'000
Hangzhou Niagra		
NCI percentage	**40%**	40%
Current assets	**456,008**	477,473
Non-current assets	**867,433**	754,065
Current liabilities	**(782,800)**	(916,457)
Non-current liabilities	**(225,828)**	(79,134)
Net assets	**314,813**	235,947
Carrying amount of NCI	**125,925**	94,379

	2014 HK$'000	2013 HK$'000
Hangzhou Niagra		
Revenue	**146,750**	31,715
Profit and total comprehensive income for the year	**78,866**	149,479
Profit and total comprehensive income allocated to NCI	**31,546**	59,792
Net cash flow used in operating activities	**(280,126)**	(93,393)
Net cash flow from investing activities	**18**	16
Net cash flow from financing activities	**254,613**	59,475
Net cash outflow	**(25,495)**	(33,902)

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Financial Summary

RESULTS

	Year ended 31 December				
	2010* HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
Continuing operations					
Turnover	990,841	136,901	271,374	368,265	**232,170**
Profit from operations	802,769	152,768	237,562	247,954	**154,302**
Finance costs	(22,890)	(22,873)	(39,689)	(31,358)	**(32,053)**
Profit before tax	779,879	129,895	197,873	216,596	**122,249**
Income tax expenses	(265,776)	(53,362)	(87,785)	(78,798)	**(64,349)**
Profit for the year before discontinued operation	514,103	76,533	110,088	137,798	**57,900**
Discontinued operation	(7,299)	(48,130)	(43,428)	–	**–**
Profit before non-controlling interests	506,804	28,403	66,660	137,798	**57,900**
Non-controlling interests	2,730	4,970	(17,570)	(52,207)	**(25,830)**
Profit for the year attributable to owners of the Company	509,534	33,373	49,090	85,591	**32,070**
Earnings per share from continuing and discontinued operations	HK Cents	HK Cents	HK Cents	HK Cents	**HK Cents**
— Basic	44.34	2.38	2.75	4.66	**1.71**
— Diluted	38.39	2.31	2.70	4.42	**1.71**

ASSETS AND LIABILITIES

	Year ended 31 December				
	2010* HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
Total assets	2,781,054	3,387,278	4,129,350	5,148,891	**5,835,330**
Total liabilities	(1,425,487)	(1,738,025)	(2,361,005)	(3,148,080)	**(3,634,964)**
Non-controlling interests	(160,366)	(136,931)	(169,316)	(233,809)	**(259,639)**
Equity attributable to owners of the Company	1,195,201	1,512,322	1,599,029	1,767,002	**1,940,727**

* The result of the year 2010 have not been re-presented for the discontinued operation in 2012.

Properties Particulars

Property Projects of the Group at 31 December 2014 is set out below.

	Property Projects	Type	Lease Term	Site Area (Square Metres)	Gross Floor Area (Square Metres)	Stage of Completion	Interest attributable to the Group	Anticipated Completion
1.	Future City Situated on No. 147, Luo Shi Road South, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential/ Commercial/ Hotel	Medium	19,191	145,273	Completed	100%	–
2.	Future Mansion Situated on No. 378, Wu Lo Road, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential	Medium	5,852	42,149	Completed	100%	–
3.	Qiandao Lake Villa Situated on She Lou Shang Xia Ling, Wangzhai Township, Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC	Residential	Medium	44,016	33,493	Phase I completed Phase II & III in progress	60%	2010 to 2016 will be completed in phases
4	Mei Lai International Centre Situated on Southern side of intersection of Yin Bin Road and Weng Mei Road, Nanyan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	Commercial	Medium	16,448	114,610	Completed	60%	–
5	Zhongshui • Longyang Plaza Situated on Land Lot No. 19C2 Located at Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Commercial	Medium	30,625	135,173	In progress	100%	2015