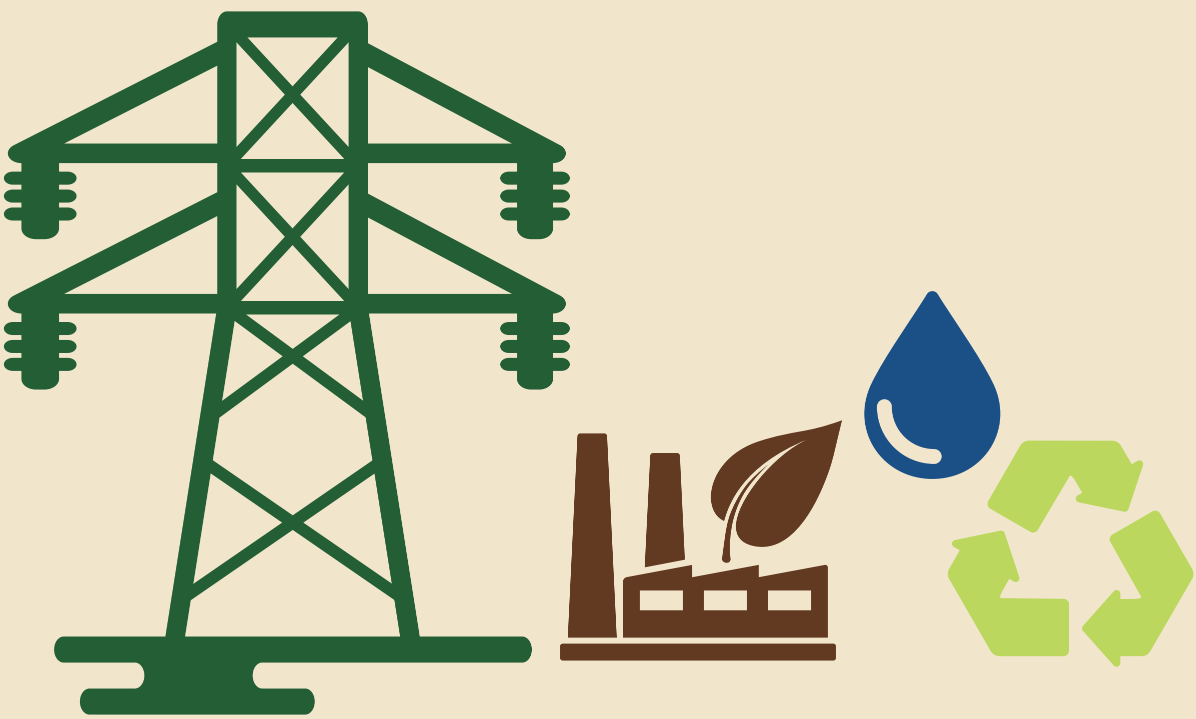
2015
Annual Report



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2349

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Chao Bo *(Chairman)*
(appointed on 31 March 2016)
Ms. Wang Wenxia
(Vice Chairman and Chief Executive Officer)
Mr. Ren Qian

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)*
(resigned on 31 March 2016)
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. Cheung Sze Kan (appointed on 5 April 2016)
Mr. Yeung Tak Yip (resigned on 5 April 2016)

AUTHORISED REPRESENTATIVES

Mr. Li Chao Bo *(Chairman)*
(appointed on 31 March 2016)
Mr. Duan Chuan Liang
(resigned on 31 March 2016)
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
No. 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
No. 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"), I am pleased to report the results of China City Infrastructure Group Limited ("China City Infrastructure" or the "Company") and its subsidiaries (collectively refer as the "Group") for the year ended 31 December 2015.

In 2015, gradual recovery of world economy, slowdown of the PRC's economic growth with significant downward pressure, deepened national economic reforms and international oil prices and so on, turns domestic and international economy environment complex, uncertainties still prevail. Facing the ever changing and complex environment, the Group stands firm in expanding business into infrastructure industries. With the efforts of all staff, the Group expanded rapidly its natural gas infrastructure business while accelerating the fading out of properties during current year.

Up to now, the Group acquired 5 natural gas project companies, whose scale are increasing, in Hunan Province, Jiangxi Province and Guangxi and is in the progress of acquiring 1 natural gas project company in Hunan Province. The Group also signed non-binding acquisition memorandum of understanding and letter of intent of cooperation with a number of natural gas project companies. According to the due diligence work and Group's resources, the Group will expand the infrastructure business rapidly.

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. Facing opportunities and challenges ahead, the Group will continue to explore infrastructure projects relating to environmental protection, clean energy and urbanisation of PRC, seize the opportunities to enhance the market share in the PRC market, while continuing to increase marketing efforts and improve customer service quality. The Group will contribute to PRC's infrastructure and environmental management further, while bring exceptional value for 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, I would like to thanks all shareholders, investors, customers, business partners and staffs for their continued support over the past year.

Duan Chuan Liang
Chairman

Hong Kong, 30 March 2016

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. The Group is expanding in the above businesses, including natural gas sales and distribution, natural gas pipeline construction, solid waste treatment and waste to energy, etc. The Group is also engaged in property related businesses.

The Group started to expands its businesses in infrastructure sector in late 2014 and it is at the transition period from property businesses to city infrastructure businesses. The property businesses are fading out while city infrastructure business starts. During this transition period, the affected result will be improved following the growth of infrastructure businesses.

Up to now, the Group has acquired 5 natural gas project companies in Hunan Province, Jiangxi Province and Guangxi, and are in the progress of acquiring 1 natural gas project companies in Hunan Province. The Group also signed non-binding acquisition memorandum of understanding and letter of intent of cooperation with a number of natural gas project companies. According to the due diligence works and Group's resources, the Group will expand the infrastructure business rapidly and continue to evaluate the investment opportunities in infrastructure projects relating to environmental protection, clean energy and urbanisation in PRC to grasp opportunities to increase market shares. Meanwhile, a healthy financial position will be maintained during the business transition. In order to devote more resources to meet the strategic direction of the Group's business, the Group may sell the whole or a portion of Group's property portfolio depending on the market and market value of the property portfolio.

RESULT SUMMARY

The consolidated revenue of the Group increased by 108% from approximately HK$232.2 million for the year ended 31 December 2014 to approximately HK$481.9 million for the year ended 31 December 2015. The revenues from properties sales were approximately HK$397.9 million mainly arising from sales of the Zhongshui Longyang Plaza in Wuhan, the revenues from property leasing, hotel business and property management business were approximately HK$19.2 million, HK$41.5 million and HK$5.4 million respectively. The post acquisition revenues from newly acquired natural gas business is approximately HK$17.9 million for the current year, which included connection fee income and sales and distribution of natural gas.

The overall gross profit decreased by 27% to approximately HK$63.2 million in 2015 from approximately HK$86.0 million in 2014, while the gross profit margin decreased to 13% in 2015 from 37% in 2014. The Group also had net fair value gains on revaluation of various investment properties of approximately HK$100.2 million for the year ended 31 December 2015. During current year, the Group incurred an one-off non-cash share-based payment of approximately HK$57.6 million and certain impairment loss recognised in respect to property projects development cost of HK$34.1 million.

The loss attributable to owners of the Company was approximately HK$179.3 million for the year ended 31 December 2015 (For the year ended 31 December 2014: profit attributable to owners of the Company was approximately HK$32.1 million) Basic loss per share attributable to owners of the Company was HK8.77 cents (For the year ended 31 December 2014: Basic earning per share was HK1.71 cents). The Board does not propose any final dividend for the year ended 31 December 2015.

BUSINESS REVIEW

The PRC Natural Gas Business

The Group started its natural gas business during the current year, and foot printed 5 counties with substantial growth potential across 3 provinces including Hunan Province, Jiangxi Province and Guangxi. The Group acquired these projects of exclusive city natural gas sales, distribution and construction rights, including residential, industrial and commercial users, L/CNG vehicle refilling gas stations.

Hunan Province

The Group has completed the acquisition of the two natural gas project companies in Yongxing and Rucheng counties in Chenzhou City in Hunan Province in second quarter of 2015 with an equity interest of 70%. The projects held exclusive rights commencing from 2009 and 2010 for 30 years, pursuant to which it is authorised to operate the business of natural gas distribution and sales and provide services to the industrial, residential and commercial users and vehicle refueling gas stations in Yongxing and Rucheng counties. Currently, the projects are in operation providing natural gas connection construction services and gas sales to users.

Jiangxi Province

The Group has completed the acquisition of a natural gas project company in Tonggu county in Jiangxi Province in second quarter of 2015 with an equity interest of 90%. The project held exclusive rights commencing from 2012 for 30 years, pursuant to which it is authorised to operate the business of natural gas distribution and sales and provide services to the industrial, residential and commercial users and vehicle refueling gas station in Tonggu county. Currently, the project is in operation providing natural gas connection construction services and gas sales to users.

Guangxi

The Group has completed the acquisition of 2 natural gas project companies in Rongshui county and Xiangzhou county in Guangxi in third quarter of 2015 with an equity interest of 100%. The projects held exclusive rights commencing from 2012 and 2013 for 30 years, pursuant to which it is authorised to operate the business of natural gas distribution and sales and provide services to the industrial, residential and commercial users and vehicle refueling gas station. Currently, the projects are in operation providing natural gas connection construction services and natural gas sales to users. The projects are located in Guangxi where a growing demand in natural gas usage is expected and is benefit from an expected stable and sufficient supply of natural gas from both Sino Myanmar gas pipeline and Second West East Gas pipeline.

The PRC Property Development Business

During the year ended 31 December 2015, the Group's revenue from property development business amounted to approximately HK$397.9 million, representing an increase of approximately 144%, compared with approximately HK$162.9 million in 2014. Aggregate gross floor area (the "GFA") sold for the year was 21,886square meters ("sq.m."), representing an increase of 106% from 10,615 sq.m. in 2014. Average selling price (the "ASP") was approximately HK$18,180 for the year. The significant increase in revenue was because of the record of the sales and delivery of Zhongshui Longyang Plaza in current year.

With the adoption of new business strategy, the Group adopted flexible and balanced approach in controlling the progress of developing projects and keeps the Group in a healthy and sound position. The Group's development projects now include Zhongshui • Longyang Plaza in Wuhan and Mei Lai International Centre and Qiandao Lake Villa in Hangzhou.

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 ("Future City") owned by the Group, which held its grand opening in late August 2011. The Future City is 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. The total leasable area of Future City is approximately 55,362 sq.m. with car park included. 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. Future City 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 mid-2013, tenancy-mix optimisation project was initiated in order to further improve the earning efficiency of Future City. A decrease in both rental income and occupancy rate was noted while the project was carried out.

Hangzhou Mei Lai Commercial Property Management Company Limited* was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. Mei Lai International Centre is completed its construction in late 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 since late 2012, it is expected Mei Lai International Centre can meet the increasing needs from residential and office customers nearby.

Zhongshui • Longyang Plaza was completed its construction in end of 2015. The commercial part has approximately 61,415 sq. m. with car park included. Respond to Group's business strategy and the market need, the Group made the commercial part of Zhongshui • Longyang Plaza available to sell and therefore it was transferred as inventory of properties during current year.

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") (a wholly own subsidiary of the Group) 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 "Land"), Beijing, the PRC, mainly for the use of as a theme hotel and culture club and related property business. On 25 September 2015, the parties agree to terminate the lease agreement and the Group will not further proceed with the development and construction of the land and the premises, and the Landlord will refund RMB35 million to Zhongshui Property (being part of the rental paid).

* For identification purpose only

As at 31 December 2015, the aggregate fair value of the investment properties held by the Group recorded approximately HK$2,140.5 million. During the year ended 31 December 2015, the rental income of the Group was approximately HK$19.2 million and the average occupancy rate is around 38%.

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 2015, the revenue arising from Future City Hotel was approximately HK$39.1 million and the average occupancy rate is around 89%.

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". During the year ended 31 December 2015, the hotel recorded a revenue of approximately HK$2.4 million.

The Group owns the construction and operating right of a hotel in Hohai Project for thirty years. The project is located at Nangjing 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 expected to be in operation in mid-2016.

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 2015, the revenue from property management was approximately HK$5.4 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 completed in 2015 and currently under sale.

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 2016.

The following table set forth an overview of the Group's property projects at 31 December 2015:

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
Zhongshui • Longyang Plaza	Wuhan	100%	30,625	135,173
Qiandao Lake Villa (Phase I)	Hangzhou	60%	13,100	6,578
Mei Lai International Centre	Hangzhou	100%	16,448	114,610
Subtotal			85,216	443,783
Projects under development				
Qiandao Lake Villa (Phase II & III)	Hangzhou	60%	30,916	26,915
Hohai Project	Nanjing	70.6%	5,030	34,759
Subtotal			35,946	61,674

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year increased to approximately HK$481.9 million from approximately HK$232.2 million, an increase of 108% compared with last year. The revenue of property development increased from approximately HK$162.9 million in 2014 to approximately HK$397.9 million in 2015. The increase was mainly due to an increase in revenue from sales of properties, in which the total GFA recognised during the year was 21,886 sq.m., representing an increase of 106%, compared with the total GFA of 10,615 sq.m. recognised in last year.

The revenue from property leasing, hotel business and property management business decreased from approximately HK$21.5 million in 2014 to approximately HK$19.2 million in 2015, from approximately HK$41.9 million in 2014 to approximately HK$41.5 million in 2015 and from approximately HK$5.9 million in 2014 to approximately HK$5.4 million respectively.

During current year, revenue of approximately HK$17.9 million was contributed by the newly acquired natural gas business. As the Group completed the acquisition of five natural gas project companies and started its natural gas business, the post acquisition revenue from these natural gas companies were reflected in the Group's financial statement during the year.

Cost of Sales

The cost of sales increased from approximately HK$146.2 million in 2014 to approximately HK$418.7 million in 2015, primarily due to the increase in total GFA recognised in 2015, 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$3.6 million, an increase of approximately HK$0.4 million compared with 2014, and by hotel business and property management business of approximately HK$44.6 million and approximately HK$2.9 million respectively, a decrease of approximately HK$1.9 million and a decrease of approximately HK$1.1 million compared with 2014 respectively.

During the current year, the natural gas business contributed approximately HK$14.4 million in cost of sales, where mainly represented cost of natural gas and depreciation of property, plant and equipment and amortisation of intangible assets.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately HK$22.8 million from approximately HK$86.0 million in 2014 to approximately HK$63.2 million in 2015. The Group has a gross profit margin of 13% in 2015, as compared with 37% in 2014. The decrease in the gross profit margin was primarily due to a shift in sales-mix of properties, in which a higher proportion of properties with low profit margin were sold including properties of Zhongshui Longyang Plaza in Wuhan during the year.

Other Operating Income

Other operating income was approximately HK$21.7 million in 2015 from approximately HK$6.6 million in 2014. This increase was primarily due to the one off gain of approximately HK$18.0 arising from the termination of a land lease. Other than this, the other operating income represented bank interest income and exchange gain.

Other Operating Expenses

Other operating expenses increased to approximately HK$119.2 million in 2015 from approximately HK$19.0 million in 2014. This increase was primarily due to the one-off non-cash share-based payment of approximately HK$57.6 million and certain impairment loss recognised in respect to property projects development cost of HK$34.1 million in 2015.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$100.2 million in 2015 arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Selling and Distribution Expenses

The selling and distribution expenses increased by 56% to approximately HK$33.8 million in 2015 from approximately HK$21.7 million in 2014, primarily due to increased expenses of advertising, promotion and related expenses for properties sales .

Administrative Expenses

The administrative expenses decreased by3% to approximately HK$94.1 million in 2015 from approximately HK$97.2 million in 2014, 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 to approximately HK$84.1 million in 2015 from approximately HK$32.1 million in 2014, there were an increase in amount due to related parties and other borrowings meanwhile, the number of Group's property development projects decreased, the interest capitalised decreased leading to therefore finance costs increased.

Income Tax Expense

The income tax decreased by 45% to approximately HK$35.6 million in 2015 from approximately HK$64.3million in 2014. The decrease was primarily attributable to the income tax which was contributed mainly by the decrease in profit arising from the properties sold and the fair value change arising from investment properties during the year.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the year was approximately HK$179.3 million in 2015, while the profit attributable to owners of the Company for the year was approximately HK$32.1 million in 2014.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2015, total bank deposits and cash (including pledged bank deposits) of the Group amounted to approximately HK$104.2 million (31 December 2014: approximately HK$449.5 million), representing a decrease of HK$345.3 million as compared to that as at 31 December 2014.

Borrowings and Charges on the Group's Assets

At 31 December 2015, the Group's total debts included borrowings, senior notes and convertible notes, in which the borrowings of approximately HK$1,232.3 million (31 December 2014: approximately HK$1,511.4 million), senior notes of approximately HK$584.7 million (31 December 2014: approximately HK$570.0 million) and liability component of convertible notes of approximately HK$75.3 million (31 December 2014: approximately HK$72.3 million). Amongst the borrowings, approximately HK$773.3 million (31 December 2014: approximately HK$1,012.4 million) will be repayable within one year and approximately HK$459.0 million (31 December 2014: approximately HK$499.0 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 2015, certain bank deposits, certain property, plant and equipment together with relevant land use rights, certain investment properties and certain intangible assets with an aggregate carrying amount of approximately HK$3,604.1 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.

In addition, the Group has also pledged its rights to receive income of a subsidiary in favour of bank to secure a borrowing granted to the Group.

Gearing Ratio

The gearing ratio was 94% as at 31 December 2015 (31 December 2014: 77%). 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 1.04 (31 December 2014: 1.15).

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 2015.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2015. The Group undertook primarily debt obligations to support its infrastructure business and 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 2015, 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$21.4 million (2014: approximately HK$452.6 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$71.4 million (2014: HK$132.9 million).

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.

As at 31 December 2015, the Group had provided guarantees to banks for loans of approximately HK$48.7 million in respect of the mortgage loans provided by the banks to purchasers of the properties the Group developed and sold. The guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2015 and 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the total number of employees stood at approximately 446. Total staff costs for the year under review was approximately HK$106.8 million (including non-cash share option expenses). The Group offers its workforce comprehensive remuneration and employees' benefits packages.

OUTLOOK AND FUTURE PLAN

The Group is principally engaged in the infrastructure businesses, and looking forward to benefiting from China's vast market opportunities, rapid urbanisation, rising environmental requirements. The Group will give special priority to environmental protection, clean energy and urbanisation development and other infrastructure-related projects.

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 acquired five natural gas companies, two in Hunan Province, one in Jiangxi Province and two in Guangxi, whose scale are increasing and, is in the progress of acquiring 1 natural gas project company in Hunan Province.

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 urbanization development and improvement of people's livelihood, having obvious environmental benefits and social benefits. Recently, the natural gas selling price adjustment promote enterprise healthy competition, provides a broad space for natural gas business development and increases the demand of quality clean natural gas, it is advantageous to the stable development of the natural gas industry.

The PRC government has launched a series supportive policies, with the increasing demand of natural gas and improve the natural gas supply, 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)

In future, 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 continue to explore infrastructure projects relating to environmental protection, clean energy and urbanisation of PRC and seize the opportunities to enhance the market share in the PRC market.

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.

Directors' and Senior Management Biographical Details

MR. LI CHAO BO ("MR. LI")
— Chairman and Executive Director

Mr. Li, aged 41, was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016 and is currently a director and the sole beneficial owner of Linkway Investment Holdings Limited. Linkway Investment Holdings Limited is a company incorporated in the British Virgin Islands with limited liabilities. Mr. Li is currently a chairman of the number of the investment and property investment development company which is registered in the PRC. Mr. Li currently holds a master degree from Hong Kong Baptist University and a degree from Central South University. Mr. Li is experienced in brand operation, property development and financial investment.

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

Mr. Duan, aged 52, 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 2015, 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. Mr. Duan has resigned as Chairman and Non-executive Director of the Company on 31 March 2016.

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

Ms. Wang, aged 56, 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.

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. REN QIAN ("MR. REN")
— Executive Director

Mr. Ren, aged 55, 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 48, 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#.

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

Mr. Chan, aged 48, 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 39, 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 46, 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.

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 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 44 of this report.

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group is committed to maintaining close relationship with our employees, providing quality services to customers and strengthening the cooperation with our business partners.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth.

As the major businesses of the Group are infrastructure business and property related businesses in the PRC, the Group evaluate, manage and mitigate from time to time environmental issues within the context of the Group's business activities and objectives for the conservation of energy and other natural resources, and devise environmental policies and measures for the Group so as to keep them in line with the standards required under the applicable laws, rules and regulations to the extent practicable. To name a few, for the Group's hotel in Wuhan, all guest rooms have room card insert energy saving switches to reduce energy waste. In the office, the Group encourages the reduction in paper and energy usage.

The Group started its natural gas business during the current year. With the construction of a city-gas distribution network, the Group continues to encourage commercial customers and residential households to replace high-polluting coal with clean energy, such as natural gas. To reduce pollutants emission, the "coal-to-gas" project was facilitated with great efforts, so as to reduce exhaust emissions to provide urban clean energy.

During the year under review, there had been no record of material breach or violation by the Group of applicable environmental laws, rules or regulations.

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 143 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 16 to the consolidated financial statements. Further details of the Group's major properties are set out on page 144 of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 32 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 48 to 49 of this report and Note 45 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$532 million as at 31 December 2015, 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 2015 (2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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 2015.

DIRECTORS

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

Executive Directors

Mr. Li Chao Bo *(Chairman)* (appointed on 31 March 2016)
Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer)*
Mr. Ren Qian

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)* (resigned on 31 March 2016)
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, Ms. Wang Wenxia, Mr. Ren Qian and Mr. Zhou Kun shall retire from their office by rotation at the forthcoming annual general meeting. Being eligible, each of Ms. Wang Wenxia and Mr. Ren Qian will offer herself/himself for re-election as Executive Director; Mr. Zhou Kun will offer himself for re-election as Non-executive Director at the forthcoming annual general meeting.

According to Article 112, a Director so appointed either to fill a casual vacancy or as an additional Director by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. In accordance with Article 112, Mr. Li Chao Bo shall retire from his office by rotation at the AGM and being eligible, Mr. Li Chao Bo shall offer himself for re-election as Executive Director.

DIRECTORS' SERVICE CONTRACTS

Ms. Wang Wenxia as executive Director and the chief executive officer, she had entered into the service contract with the Company on 17 January 2014. The term of the service contract would be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules.

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 2015 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 17 to 19 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 2015, 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 2015

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Li Chao Bo	Beneficial owner	(1)	9,680,000	0.47%
Mr. Duan Chuan Liang	Beneficial owner	(2)	4,207,928	0.21%
Ms. Wang Wenxia	Beneficial owner	(3)	1,231,440	0.06%
Mr. Ren Qian	Beneficial owner	(4)	680,400	0.03%

(ii) Long positions in underlying shares at 31 December 2015

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(5)	12,795,263	0.63%
		(6)	54,262,000	2.65%
		(8)	90,436,140	4.42%
			157,493,403	**7.70%**
Ms. Wang Wenxia	Beneficial owner	(5)	12,795,263	0.63%
		(7)	18,087,228	0.88%
		(8)	54,261,684	2.65%
			85,144,175	**4.16%**
Mr. Ren Qian	Beneficial owner	(7)	1,500,000	0.07%
		(8)	1,500,000	0.07%
			3,000,000	**0.14%**
Mr. Zhou Kun	Beneficial owner	(7)	1,500,000	0.07%
		(8)	1,500,000	0.07%
			3,000,000	**0.14%**

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Chan Pok Hiu	Beneficial owner	(7)	700,000	0.03%
		(8)	700,000	0.03%
			1,400,000	**0.06%**
Mr. Wong Chi Ming	Beneficial owner	(7)	700,000	0.03%
		(8)	700,000	0.03%
			1,400,000	**0.06%**
Mr. Wang Jian	Beneficial owner	(7)	700,000	0.03%
		(8)	700,000	0.03%
			1,400,000	**0.06%**

Notes:

(1) Mr. Li Chao Bo is the sole beneficial owner of Asia Unite Limited which in turn owns 9,680,000 shares of the Company. Mr. Li Chao Bo was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016.

(2) The personal interests of Mr. Duan Chuan Liang comprise 4,207,928 ordinary shares and 157,493,403 outstanding share options.

(3) The personal interests of Ms. Wang Wenxia comprise 1,231,440 ordinary shares and 85,144,175 outstanding share options.

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

(5) 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.

(6) 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.

(7) 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.

(8) These share options were granted on 22 January 2015 at an exercise price of HK$0.668 per share of the Company with exercise period from 22 January 2015 to 21 January 2025.

Save as disclosed above, at 31 December 2015, none of the Directors or 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.

Category	Date of grant	Exercise price (HK$)	Exercise period	Number of share options: As at 1 January 2015	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	As at 31 December 2015
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
Directors/ Employees/ Consultants	22/01/2015	0.668	22/01/2015 to 21/01/2025	–	180,872,286	–	–	–	180,872,286
Employees/ Consultants	16/06/2015	0.88	16/06/2015 to 15/06/2025	–	60,000,000	–	–	–	60,000,000
Consultant	25/06/2015	0.91	25/06/2015 to 24/06/2025	–	20,445,948	–	–	–	20,445,948
				122,639,754	261,318,234	–	–	–	383,957,988

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 has 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.

The Scheme was adopted by way of Shareholders' resolution on 18 June 2013. Accordingly, the Scheme mandate limit was granted as at the time of adoption of the Scheme would be 180,872,286 Shares, there has 180,872,286 outstanding options which representing from the date of adoption of the Scheme to 31 December 2015, being 10% of the issued share capital of the Company as at 18 June 2013.

On 27 February 2015, the Scheme mandate limit was refreshed to 204,459,486 Shares (representing approximately 10% of the issued share capital of the Company as at 27 February 2015). Subsequently, there were further 80,445,948 options granted from the date of the latest refreshment of the Scheme mandate limit, which has 80,445,948 options were outstanding (representing approximately 3.93% of the issued share capital of the Company as at 27 February 2015) as at 31 December 2015. Under the current refreshed Scheme mandate limit, the share options carrying the rights to subscribe for 124,013,538 shares (representing approximately 6.07% of issued share capital of the Company) were available for granting by the Company as at 31 December 2015.

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 42 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 2015, 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 2015

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 2015

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.

Reference is also made to the announcement of the Company dated 30 March 2016. Linkway Investment Holdings Limited as purchaser entered into a conditional sale and purchase agreement with China Water Affairs Group Limited to acquire 592,932,500 Shares of the Company. Completion of the possible transfer will take place on or after 30 January 2017, subject to the conditions of the sale and purchase agreement having been fulfilled.

(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 2015.

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 42 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 2015.

The Group's annual results for the year ended 31 December 2015 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 53% and 17% for the Group's total purchases for the year ended 31 December 2015 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 2015.

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.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or an associated company.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

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, 30 March 2016

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 2015. The names and biographical details of the Directors of the Company, and the relationship amongst them, if any, are set out on pages 17 to 19 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 ten times for the year ended 31 December 2015 and considered, reviewed and approved significant matters including the 2014 annual results, the 2015 interim results, grant of share options, acquisition of 40% equity interest of two non-wholly owned subsidiaries and transfer of properties, termination of the property in Beijing Qianmen 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 2015, 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 2015, 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 2015, 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 December 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 2014 and the interim financial statements for the six months ended 30 June 2015;

(iii) reviewed the Group's risk management and 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 2015 with an attendance rate of 100% and reviewed the annual results of the Group for the year ended 31 December 2014 and the interim results of the Group for the six months ended 30 June 2015. 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 2015 and bonus payment for the year of 2014; and

(ii) reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 31 December 2015.

The RC met three times during the year ended 31 December 2015 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 2015 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 one time during the year ended 31 December 2015 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 2015 AGM and extraordinary general meeting ("EGM") are as follows:

	Numbers of meetings attended/held					
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	2015AGM	EGM
Attendance/Number of meetings held						
Executive Directors						
Ms. Wang Wenxia	10/10	N/A	N/A	N/A	1/1	1/1
Mr. Ren Qian	10/10	N/A	N/A	N/A	1/1	0/1
Non-executive Directors						
Mr. Duan Chuan Liang	9/10	N/A	N/A	N/A	0/1	0/1
Mr. Zhou Kun	9/10	N/A	N/A	N/A	1/1	0/1
Independent non-executive Directors						
Mr. Chan Pok Hiu *(RC and NC Chairman)*	10/10	2/2	3/3	1/1	1/1	1/1
Mr. Wong Chi Ming *(AC Chairman)*	10/10	2/2	3/3	1/1	1/1	0/1
Mr. Wang Jian	10/10	2/2	3/3	1/1	1/1	1/1

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "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 (the "Chairman") of the Board of the Company 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, certain non-executive Directors and one independent non-executive Director could not attend the extraordinary general meeting of the Company held on 27 February 2015 (the "EGM") and one non-executive Director could not attend the annual general meeting of the Company held on 22 May 2015 (the "AGM"). However, at the respective general meeting of the Company, except for one non-executive Director, remaining all 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 AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meetings, and all 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. Mr. Yeung Tak Yip has resigned and Mr. Cheung Sze Kan has been appointed as the Company Secretary with effect from 5 April 2016.

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 Rules Governing the Listing of Securities on the Stock Exchange 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 enquiry of all the 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 2015.

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 2015, 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 2015, the total remuneration in respect of audit service paid and payable to the Company's auditor, HLM CPA Limited, amounted to HK$1,555,000. Non-audit service fee in relation to financial reporting review and tax service for the year paid amounted to HK$316,000.

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
中國城市基礎設施集團有限公司
(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 44 to 142, which comprise the consolidated statement of financial position as at 31 December 2015, 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, in accordance with our agreed terms of engagement, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	7a	**481,935**	232,170
Cost of sales		**(418,708)**	(146,180)
Gross profit		**63,227**	85,990
Fair value gain in respect of investment properties revaluation	16	**100,237**	199,603
Other operating income	7b	**21,745**	6,561
Other operating expenses		**(119,152)**	(18,987)
Selling and distribution expenses		**(33,845)**	(21,683)
Administrative expenses		**(94,139)**	(97,182)
Finance costs	8	**(84,143)**	(32,053)
(Loss) profit before tax		**(146,070)**	122,249
Income tax expense	10	**(35,570)**	(64,349)
(Loss) profit for the year	11	**(181,640)**	57,900
(Loss) profit for the year attributable to:			
Owners of the Company		**(179,294)**	32,070
Non-controlling interests		**(2,346)**	25,830
(Loss) profit for the year		**(181,640)**	57,900
		HK Cents	HK Cents
(Loss) earnings per share	13		
Basic		**(8.77)**	1.71
Diluted		**(8.77)**	1.71

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
(Loss) profit for the year	**(181,640)**	57,900
Other comprehensive (expense) income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(109,506)**	825
Total comprehensive (expense) income for the year (net of tax)	**(291,146)**	58,725
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(287,079)**	32,895
Non-controlling interests	**(4,067)**	25,830
	(291,146)	58,725

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

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Prepaid lease payments	14	**–**	21,361
Property, plant and equipment	15	**207,946**	44,418
Investment properties	16	**2,140,477**	2,922,786
Goodwill	17	**219,313**	174,605
Intangible assets	18	**213,725**	–
Prepayment for acquisition of an intangible asset	19	**348,870**	274,513
Available-for-sale investments	20	**–**	12,658
		3,130,331	3,450,341
Current assets			
Inventories	21	**7,647**	538
Inventory of properties	22	**2,109,881**	1,590,385
Trade and other receivables	23	**313,283**	288,578
Prepaid lease payments	14	**–**	18,988
Available-for-sale investments	20	**25,000**	37,000
Pledged bank deposits	24	**14,286**	–
Bank balances and cash	24	**89,846**	449,500
		2,559,943	2,384,989
TOTAL ASSETS		**5,690,274**	5,835,330
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	32	**204,459**	204,459
Reserves		**1,551,994**	1,736,268
Equity attributable to owners of the Company		**1,756,453**	1,940,727
Non-controlling interests		**142,363**	259,639
TOTAL EQUITY		**1,898,816**	2,200,366

	NOTES	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	34	**440,380**	412,546
Borrowings – due after one year	29	**459,026**	498,965
Amounts due to related parties – due after one year	28	**357,143**	–
Convertible notes	30	**75,286**	72,335
Senior notes	31	**–**	569,970
Deposits received for sale and lease of properties – non-current portion	26	**1,667**	3,399
		1,333,502	1,557,215
Current liabilities			
Trade and other payables	25	**621,751**	713,127
Deposits received for sale and lease of properties – current portion	26	**59,239**	124,217
Tax payable		**121,960**	122,452
Amounts due to non-controlling shareholders of subsidiaries	27	**32,253**	2,608
Amounts due to related parties	28	**264,581**	102,604
Borrowings – due within one year	29	**773,304**	1,012,413
Senior notes	31	**584,724**	–
Deferred income – current portion		**144**	328
		2,457,956	2,077,749
TOTAL LIABILITIES		**3,791,458**	3,634,964
TOTAL EQUITY AND LIABILITIES		**5,690,274**	5,835,330
NET CURRENT ASSETS		**101,987**	307,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,232,318**	3,757,581

The consolidated financial statements on pages 44 to 142 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Duan Chuan Liang	**Wang Wenxia**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Special reserve (note a)	Capital reserve (note b)	PRC statutory reserve (note c)	Translations reserve	Accumulated profits	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 and 1 January 2015	204,459	1,300,114	25,434	32,897	(184)	–	25,565	93,973	258,469	1,940,727	259,639	2,200,366
Loss for the year	–	–	–	–	–	–	–	–	(179,294)	(179,294)	(2,346)	(181,640)
Translation exchange differences	–	–	–	–	–	–	–	(107,785)	–	(107,785)	(1,721)	(109,506)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(107,785)	(179,294)	(287,079)	(4,067)	(291,146)
Equity settled share based payment	–	–	–	57,581	–	–	–	–	–	57,581	–	57,581
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	26,294	26,294
Acquisition of additional interests in subsidiaries	–	–	–	–	–	45,224	–	–	–	45,224	(139,503)	(94,279)
At 31 December 2015	204,459	1,300,114	25,434	90,478	(184)	45,224	25,565	(13,812)	79,175	1,756,453	142,363	1,898,816

Notes:

(a) 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.

(b) The Group accounted for the acquisition of additional interests in a subsidiary as equity transactions and the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid was recognised in capital reserve.

(c) 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 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(146,070)**	122,249
Adjustments for:		
Interest expenses	**84,143**	32,053
Interest income	**(938)**	(2,719)
Depreciation of property, plant and equipment	**13,878**	12,580
(Gain) loss on disposals of property, plant and equipment	**(236)**	2
Amortisation of prepaid lease payments	**14,063**	18,987
Amortisation of intangible assets	**5,530**	–
Equity-settled share-based payment	**57,581**	–
Impairment of available-for-sale investment	**12,500**	–
Impairment of other receivables	**879**	–
Impairment of development cost for property project	**34,129**	–
Gain on termination of a lease	**(17,969)**	–
Fair value gain in respect of investment properties revaluation	**(100,237)**	(199,603)
Write-off of property, plant and equipment	**–**	154
Operating cash flows before movements in working capital	**(42,747)**	(16,297)
(Increase) decrease in inventories	**(1,534)**	320
Decrease (increase) in inventory of properties	**224,040**	(357,303)
(Increase) decrease in trade and other receivables	**(58,505)**	209,159
(Decrease) increase in trade and other payables	**(174,668)**	63,141
Decrease in deposits received for sale and lease of properties	**(58,114)**	(46,196)
Decrease in deferred income	**(164)**	(3,918)
Cash used in operations	**(111,692)**	(151,094)
Interest paid	**(217,313)**	(189,635)
Income tax paid	**(21,218)**	(6,680)
NET CASH USED IN OPERATING ACTIVITIES	**(350,223)**	(347,409)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTE	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	37	**(167,340)**	–
Additions of prepayment for acquisition of an intangible asset		**(43,469)**	(184,871)
Additions of investment properties		**(29,872)**	(59,483)
Purchase of property, plant and equipment		**(12,066)**	(256)
Proceeds from termination of a lease		**44,255**	–
Redemption of available-for-sale investments		**12,000**	–
Interest received		**938**	2,719
Proceed from disposals of property, plant and equipment		**454**	86
Purchase of available-for-sale investments		**–**	(37,000)
NET CASH USED IN INVESTING ACTIVITIES		**(195,100)**	(278,805)
FINANCING ACTIVITIES			
Advances from (repayment to) related parties		**529,227**	(151,922)
New borrowings raised		**420,575**	1,489,040
Advances from (repayment to) non-controlling shareholders of subsidiaries		**29,800**	(210)
Repayment of borrowings		**(768,603)**	(1,142,861)
Proceeds from issue of Senior notes		**–**	242,027
Proceeds from issue of new shares		**–**	140,830
NET CASH GENERATED FROM FINANCING ACTIVITIES		**210,999**	576,904
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(334,324)**	(49,310)
Effect of foreign exchange rate changes		**(11,044)**	–
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**449,500**	498,810
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**104,132**	449,500
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**89,846**	449,500
Pledged bank deposits		**14,286**	–
		104,132	449,500

1. GENERAL

China City Infrastructure 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 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, the "Group") are infrastructure businesses, property investment, property development, hotel business and property management in the People's Republic of China ("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").

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle
HKAS 19 (Amendments)	Defined Benefit Plans:Employee Contributions

The application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The amendments also clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

HKFRS 13, Fair value measurement has been amended to clarify that entities are not prevented from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

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

Annual Improvements to HKFRSs 2010–2012 Cycle *(Continued)*

HKAS 16, Property, plant and equipment and HKAS 38, Intangible assets have been amended to clarify the requirements of the revaluation model in these standards. The amendments clarify that, at the date of revaluation, one of following approaches should be adopted:

- the gross carrying amount:
  - — is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset — e.g. restated in proportion to the change in the carrying amount or by reference to observable market data; and
  - — the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

HKAS 24, Related party disclosures has been amended to extend the definition of a 'related party' to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. Consequently, the entity is required to disclose the amounts incurred for the KMP services provided by the management entity, but it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services.

Annual Improvements to HKFRSs 2011–2013 Cycle

This cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations. Details are as follows:

HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards has been amended to clarify that in its first HKFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised HKFRS that is not mandatory but is available for early application.

HKFRS 3, Business combinations has been amended to clarify that the standard does not apply to the accounting for the formation of any type of joint arrangement in HKFRS 11, Joint arrangements in the financial statements of the joint arrangements themselves.

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

HKFRS 13, Fair value measurement has been amended to clarify that its portfolio exception, which allows entities to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis, applies to all contracts within the scope of HKAS 39 and HKFRS 9, regardless of whether the contracts meet the definitions of financial assets or financial liabilities in HKAS 32.

HKAS 40, Investment property has been amended to clarify that HKAS 40 and HKFRS 3 are not mutually exclusive. An entity should:

- assess whether an acquired property is an investment property under HKAS 40; and
- perform a separate assessment under HKFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

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

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

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

New and revised HKFRSs issued but not yet effective *(Continued)*

The Group has not early adopted the new standards, amendments to standards and interpretation, which have been issued but are not effective for the current year. The Group has commenced an assessment of the related impact, but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

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.

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

HKFRS 9 Financial Instruments *(Continued)*

- 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 at 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.

Same as disclosed in previous years, 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.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

As at 31 December 2015, the Company and its subsidiaries (collectively referred to as the "Group") recorded borrowing due within one year of HK$773,304,000 and senior note due within one year of HK$584,724,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors of the Company believe that the Group has adequate resources, including:

(a) The Group is able to generate cash inflows from future sales of properties;

(b) The substantial shareholder has confirmed that she will provide financial support to the Group to meet its financial obligations as they fall due, if required, including not to demand repayment of the amounts due to her and due to companies controlled by her until the Group is in a position to do so.

(c) The Group is currently actively negotiating with several banks in both Hong Kong and the PRC for renewal of banking facilities.

The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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.

The principal accounting policies are set out below.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 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 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.

Non-controlling interests in subsidiaries are presented separately from Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 made 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that reporting period. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement are recognised at their fair value as a financial asset or an intangible asset.

A financial asset (loan and receivable) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (loan and receivable) is accounted for in accordance with the policy set out in "Financial instruments".

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out in "Intangible assets (other than goodwill)".

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out in "Construction contracts".

Operating services

Revenue relating to operating services are accounted for in accordance with the policy set out in "Revenue recognition".

Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy set out in "Impairment losses on tangible and intangible assets").

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy set out in "Impairment losses on tangible and intangible assets").

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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.

Revenue from sales of natural gas and gas appliances are recognised when the gas or goods are delivered and title has passed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Connection revenue generated from gas pipeline connection is recognised when the outcome of a contract can be estimated reliably and the stage of completion at the end of the reporting period can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total contract costs. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

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 of the hotel facilities by guests.

Management service income is recognised when management services are provided.

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

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

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.

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 estimated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for 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.

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 its disposals. 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 the 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.

The Group transfers a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the Statement of Financial Position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

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.

A prepaid lease payment is derecognised upon termination. Any gain or loss arising on the termination of the lease is determined as the difference between the proceeds received or refunded and the carrying amounts of the lease and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories, including construction materials and spare parts for gas pipeline construction and gas for sales, consumables are stated at the lower of cost and net realisable value. Cost of gas for sales is determined on a weighted average method. Cost of other 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

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 where 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
- 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 to 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 impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at 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 investments, 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 investments, 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

The component parts of the convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed 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 relevant period 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, 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 have expired. 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, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor 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 the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 an indication that they 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 a 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 in profit or loss 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 as an expense 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 recognised at the rates of exchanges prevailing on the dates of the transaction. 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 on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not 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 the period, in which case, the exchange rates prevailing 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 partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal that is, partial disposal of associates or joint arrangements 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 that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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 2015, no impairment loss was recognised for property, plant and equipment (2014: 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 2015, the carrying amount of trade receivable was approximately HK$108,774,000 (2014: approximately HK$39,579,000). There is no allowance for doubtful debts required (2014: 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 2015, the carrying amount of goodwill was approximately HK$219,313,000 (2014: approximately HK$174,605,000), net of accumulated impairment loss of none (2014: nil). Details of the recoverable amount calculation are disclosed in Note 17.

(e) Estimated impairment of intangible assets

Determining whether intangible assets is impaired requires an estimation of the value in use of the cash-generating units to which intangible assets 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.

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 2015 HK$'000	**Liabilities 2015 HK$'000**	Assets 2014 HK$'000	Liabilities 2014 HK$'000
Renminbi ("RMB")	**368,159**	**2,229,650**	556,243	2,329,717

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:

	2015 HK$'000	2014 HK$'000
Decrease/increase in other comprehensive income	**93,059**	79,768
Increase/decrease in profit or loss	**15**	8,906

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.

As at 31 December 2015, the Group recorded the current liabilities of HK$2,457,956,000. In view of these circumstances, the directors of the Company believe the Group have adequate resources to meet its financial obligations as they fall due after considering the following sources of funds, including but not limited to, the current assets of HK$2,559,943,000 in which cash inflows mainly generated from sales of properties, financial assistance from shareholders and facilities provided by banks and investors in the next twelve months.

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.

	2015							
	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	621,751	–	–	–	–	621,751	621,751
Amounts due to non-controlling shareholders of subsidiaries	N/A	32,253	–	–	–	–	32,253	32,253
Amounts due to related parties	10.28%	2,646	7,937	285,834	399,941	–	696,358	621,724
Borrowings	10.04%	117,529	95,993	677,147	445,869	179,344	1,515,882	1,232,330
Convertible notes	7.55%	–	–	2,595	86,513	–	89,108	75,286
Senior notes	15.25%	–	–	675,000	–	–	675,000	584,724
		774,179	103,930	1,640,576	932,323	179,344	3,630,352	3,168,068

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

Liquidity risk management *(Continued)*

	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

Credit risk management

The Group's maximum exposure to credit risk in the event of counterparties failure to perform their obligations at 31 December 2015 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.

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

Interest rate risk management *(Continued)*

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.

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 loss for the year ended 31 December 2015 would increase/decrease by approximately HK$5,339,000 (2014: profit for the year would decrease/increase by approximately HK$3,132,000).

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 2015 and 2014, there were no financial instruments carried at any level of the fair value hierarchy.

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

Fair values measurement *(Continued)*

(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 2015 and 2014.

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 and senior notes

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 2015 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:

	2015 **HK$'000**	2014 HK$'000
Borrowings, net of cash and cash equivalents	**1,128,198**	1,061,878
Senior notes	**584,724**	569,970
Convertible notes	**75,286**	72,335
Total net borrowings	**1,788,208**	1,704,183
Total equity	**1,898,816**	2,200,366
Total net borrowings to total equity ratio	**0.94**	0.77

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:

— Natural Gas Business Segment engages in natural gas pipeline construction and operation of exclusive concession rights in the PRC

— 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 Business 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 2015

	Natural Gas Business HK$'000	Property Development Business HK$'000	Property Investment Business HK$'000	Hotel Business HK$'000	Property Management Business HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	17,925	397,887	19,177	41,565	5,381	481,935
RESULT						
Segment operating results	(1,752)	(22,410)	5,109	(8,276)	1,304	(26,025)
Fair value gain in respect of investment properties revaluation	–	–	100,237	–	–	100,237
Unallocated corporate income						719
Unallocated corporate expense						(136,858)
Finance costs						(84,143)
Loss before tax						(146,070)
Income tax expense						(35,570)
Loss for the year						(181,640)

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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	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

Segment profit represents the profit earned by each segment without allocation of 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:

	Natural Gas Business		Property Development Business		Property Investment Business		Hotel Business		Property Management Business		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS												
Goodwill	**44,708**	–	**174,605**	174,605	**–**	–	**–**	–	**–**	–	**219,313**	174,605
Inventory of properties	**–**	–	**2,109,881**	1,590,385	**–**	–	**–**	–	**–**	–	**2,109,881**	1,590,385
Investment properties	**–**	–	**–**	–	**2,140,477**	2,922,786	**–**	–	**–**	–	**2,140,477**	2,922,786
Intangible assets	**213,725**	–	**–**	–	**–**	–	**–**	–	**–**	–	**213,725**	–
Property, plant and equipment	**175,170**	–	**4,192**	5,862	**58**	44	**26,516**	37,988	**102**	178	**206,038**	44,072
Other assets	**24,832**	–	**320,973**	309,521	**64,916**	89,287	**355,616**	294,721	**1,805**	1,124	**768,142**	694,653
Segment assets	**458,435**	–	**2,609,651**	2,080,373	**2,205,451**	3,012,117	**382,132**	332,709	**1,907**	1,302	**5,657,576**	5,426,501
Unallocated corporate assets											**32,698**	408,829
Consolidated assets											**5,690,274**	5,835,330
LIABILITIES												
Segment liabilities	**256,588**	–	**1,927,062**	2,193,213	**424,025**	600,661	**133,347**	134,777	**3,052**	2,970	**2,744,074**	2,931,621
Unallocated corporate liabilities											**1,047,384**	703,343
Consolidated liabilities											**3,791,458**	3,634,964
OTHER INFORMATION												
Additions to property, plant and equipment	**9,664**	–	**436**	138	**29**	–	**48**	116	**6**	2	**10,183**	256
Depreciation and amortisation	**7,762**	–	**1,544**	2,308	**14,092**	19,104	**9,734**	9,805	**74**	73	**33,206**	31,290
Write-off property, plant and equipment	**–**	–	**–**	154	**–**	–	**–**	–	**–**	–	**–**	154
Additions to investment properties	**–**	–	**–**	–	**29,872**	59,483	**–**	–	**–**	–	**29,872**	59,483
Additions to prepayment for acquisition of an intangible asset	**–**	–	**–**	–	**–**	–	**91,728**	218,462	**–**	–	**91,728**	218,462

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 revenue 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*	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**47**	6
The PRC	**481,935**	232,170	**3,130,284**	3,437,677
	481,935	232,170	**3,130,331**	3,437,683

* Non-current assets exclude financial instruments.

Information of major customers

The revenues from external customers are attributed to regions on the basis of the customer's location. For the year ended 31 December 2015 and 2014, no single external customers accounted for 10% or more of the Group's consolidated revenue.

7. REVENUE AND OTHER OPERATING INCOME

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

	2015	2014
	HK$'000	HK$'000
(a) Revenue		
Gas connection	**12,524**	–
Sales of natural gas	**5,401**	–
Sales of properties	**397,887**	162,871
Rental income	**19,177**	21,484
Hotel operation income	**41,565**	41,954
Property management income	**5,381**	5,861
Total revenue	**481,935**	232,170
(b) Other operating income		
Interest income	**938**	2,719
Gain on termination of a lease (Note 14)	**17,969**	–
Gain on disposals of property, plant and equipments	**236**	–
Sundry income	**2,602**	3,842
Total other operating income	**21,745**	6,561

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expense on bank loans, and other borrowings wholly repayable within five years	**156,348**	93,170
Effective interest expense on convertible notes	**5,546**	5,333
Effective interest expense on senior notes	**89,753**	71,510
	251,647	170,013
Less:amounts capitalised in the cost of qualifying assets	**(167,504)**	(137,960)
	84,143	32,053

The weighted average capitalisation rate on funds borrowed generally is 7.02% per annum (2014: 6.49% per annum).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments and retirement benefits

For the year ended 31 December 2015

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	220	3,900	–	18	11,981	16,119
Mr. Ren Qian	180	–	–	–	331	511
NON-EXECUTIVE DIRECTORS						
Mr. Duan Chuan Liang	300	5,417	–	18	19,968	25,703
Mr. Zhou Kun	100	564	–	19	331	1,014
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Chan Pok Hiu	100	–	–	–	154	254
Mr. Wong Chi Ming	100	–	–	–	154	254
Mr. Wang Jian	100	–	–	–	154	254
	1,100	9,881	–	55	33,073	44,109

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

(a) Directors' emoluments and retirement benefits *(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

(b) Directors' termination benefits

During the year ended 31 December 2015, there was no termination benefits received by the directors (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, no consideration was paid for making available the services of the directors of the Company (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2015, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2014: Nil).

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

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

(f) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2015 included two (2014: two) directors of the Company. The emoluments of the remaining three (2014: three) individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**3,338**	5,640
Retirement benefit schemes contributions	**76**	180
Equity-settled share-based payment	**2,652**	–
	6,066	5,820

Their emoluments were within the following bands:

	2015 Number of employees	2014 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
HK$3,000,001 to HK$3,500,000	**1**	–
	3	3

(g) 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

	2015 HK$'000	2014 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax ("EIT")	**11,797**	4,876
Land Appreciation Tax ("LAT") in the PRC		
— Current year	**18,219**	11,679
— Over provision in prior year	–	(2,107)
Current tax charge for year	**30,016**	14,448
Deferred tax charge for the year (Note 34)	**5,554**	49,901
	35,570	64,349

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.

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

	2015 HK$'000	2014 HK$'000
(Loss) profit before tax	**(146,070)**	122,249
Tax at PRC EIT rate of 25% (2014: 25%)	**(36,518)**	30,562
Tax effect of expenses not deductible for tax purposes	**51,267**	17,458
Tax effect of income not taxable for tax purposes	**(5,708)**	(3,202)
Tax effect on temporary difference not recognised	**(7,867)**	–
Effect of different tax rates of subsidiaries operating in Hong Kong	**16,177**	9,959
LAT	**18,219**	9,572
Tax charge for the year	**35,570**	64,349

11. (LOSS) PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**47,466**	56,318
Equity-settled share-based payment, including share options for directors*	**57,581**	–
Retirement benefits scheme contributions, including contributions for directors	**1,734**	1,020
Total staff costs	**106,781**	57,338
Auditors' remuneration	**1,555**	1,177
Amortisation of prepaid lease payments*	**14,063**	18,987
Amortisation of intangible assets	**5,530**	–
Depreciation of property, plant and equipment	**13,878**	12,580
Loss on disposal of property, plant and equipment	**–**	2
Impairment of available-for-sale investment*	**12,500**	–
Impairment of other receivables*	**879**	–
Impairment of development cost for property project*	**34,129**	–
Write-off of property, plant and equipment	**–**	154
Operating lease rental expenses in respect of rented premises	**30,396**	30,445

	2015 HK$'000	2014 HK$'000
Gross rental income from investment properties	**(19,177)**	(21,484)
Less: Direct operating expenses from investment properties that generate rental income during the year	**3,610**	3,193
	(15,567)	(18,291)

* Those expenses for the year are included in "other operating expenses" on the face of the consolidated statement of profit or loss.

12. DIVIDENDS

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

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the loss attributable to the owners of the Company of approximately HK$179,294,000 (2014:earnings of approximately HK$32,070,000) and on the weighted average number of ordinary shares of 2,044,594,861 (2014:1,874,509,250 shares) deemed to be in issue during the year.

13. (LOSS) EARNINGS PER SHARE *(Continued)*

For the years ended 31 December 2015 and 2014, the computation of diluted (loss) earnings per share has not assumed the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share and an increase in earnings per share respectively.

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:

	2015 **HK$'000**	2014 HK$'000
COST		
At 1 January	**63,291**	63,291
Termination of land lease	**(63,291)**	–
At 31 December	**–**	63,291
ACCUMULATED AMORTISATION		
At 1 January	**22,942**	3,955
Amortisation for the year	**14,063**	18,987
Termination of land lease	**(37,005)**	–
At 31 December	**–**	22,942
CARRYING AMOUNTS		
At 31 December	**–**	40,349

On 25 September 2015, the Group and parties to the agreement agreed to terminate the lease agreement of the land parcel in Beijing Qianmen. According to the termination agreement, an amount of HK$44,255,000 (equivalent to RMB35,000,000) was refunded to the Group and the Group was not obliged to lease the land and to make lease payments afterwards. Upon the termination, a gain of approximately HK$17,969,000 was recorded.

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

Analysed for reporting purposes as:

	2015 **HK$'000**	2014 HK$'000
Current assets	**–**	18,988
Non-current assets	**–**	21,361
	–	40,349

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Pipelines HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvement for hotel operation HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 January 2014	41,662	–	21,959	19,894	19,212	65,779	–	168,506
Additions	–	–	–	256	–	–	–	256
Disposals	–	–	–	–	(354)	–	–	(354)
Write-off	(41,662)	–	(21,593)	(10,354)	(878)	–	–	(74,487)
At 31 December 2014 and 1 January 2015	–	–	366	9,796	17,980	65,779	–	93,921
Additions	277	–	74	510	1,915	–	9,290	12,066
Acquisition of subsidiaries	32,238	9,246	16,329	670	4,511	–	118,566	181,560
Disposals	–	–	–	–	(2,975)	–	–	(2,975)
Transfer	–	113,793	10	–	–	–	(113,803)	–
Exchange difference	(1,254)	(5,639)	(563)	(534)	(1,042)	(3,915)	(1,686)	(14,633)
At 31 December 2015	31,261	117,400	16,216	10,442	20,389	61,864	12,367	269,939
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	41,550	–	21,959	16,901	11,538	19,574	–	111,522
Provided for the year	–	–	–	1,020	2,163	9,397	–	12,580
Eliminated on disposals	–	–	–	–	(266)	–	–	(266)
Write-off	(41,550)	–	(21,593)	(10,354)	(836)	–	–	(74,333)
At 31 December 2014 and 1 January 2015	–	–	366	7,567	12,599	28,971	–	49,503
Provided for the year	294	1,254	339	1,032	1,679	9,280	–	13,878
Acquisition of subsidiaries	1,700	878	1,437	269	534	–	–	4,818
Eliminated on disposals	–	–	–	–	(2,757)	–	–	(2,757)
Exchange difference	(86)	(102)	(78)	(445)	(571)	(2,167)	–	(3,449)
At 31 December 2015	1,908	2,030	2,064	8,423	11,484	36,084	–	61,993
CARRYING AMOUNTS								
At 31 December 2015	29,353	115,370	14,152	2,019	8,905	25,780	12,367	207,946
At 31 December 2014	–	–	–	2,229	5,381	36,808	–	44,418

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

Leasehold land and buildings	Over the shorter of 50 years or the remaining terms of leases
Pipelines	Over the shorter of 30 years or the remaining operation period of the relevant company
Machinery and equipment	8%–10%
Furniture and fixtures	16%–20%
Motor vehicles	20%–30%
Leasehold improvement for hotel operation	14%

Details of the pledged property, plant and equipment as at 31 December 2015 are set out in Note 38.

16. INVESTMENT PROPERTIES

	Investment properties in the PRC HK$'000	Investment properties under development in the PRC HK$'000	Total HK$'000
At fair value			
At 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 and 1 January 2015	2,192,406	730,380	2,922,786
Additions	–	29,872	29,872
Fair value change recognised in profit or loss	80,742	19,495	100,237
Transfer to inventory of properties (Note 22)	–	(779,747)	(779,747)
Exchange difference	(132,671)	–	(132,671)
At 31 December 2015	2,140,477	–	2,140,477

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 2015 and 2014 are set out in Note 38.

note: During the year ended 31 December 2015, in line with the Group's business strategies, the investment properties under development in Wuhan of approximately HK$779,747,000 were transferred to inventory of properties at fair value with a view to sale and is currently under sale.

16. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 December 2015 and 2014 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 2015 and 2014 are as follows:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Fair value at 31 December 2015 HK$'000**
Investment properties in the PRC	**–**	**–**	**2,140,477**	**2,140,477**

	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

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

16. 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): 12,000–48,700	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): 12,300–34,600	The increase in the market unit sales price would result in an increase in fair value.

17. GOODWILL

	2015	2014
	HK$'000	HK$'000
Cost		
At beginning of the year	**174,605**	174,605
Arising on:		
Acquisition of subsidiaries (Note 37)	**46,958**	–
Exchange difference	**(2,250)**	–
At end of the year	**219,313**	174,605
Impairment		
At beginning and end of the year	**–**	–
Carrying amounts		
At end of the year	**219,313**	174,605

Impairment testing on Goodwill

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

For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs"). At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of:

	2015	2014
	HK$'000	HK$'000
Property Development Business	**174,605**	174,605
Natural gas business located in Hunan, the PRC	**23,156**	–
Natural gas business located in Jiangxi, the PRC	**6,659**	–
Natural gas business located in Guangxi, the PRC	**14,893**	–
	219,313	174,605

17. GOODWILL *(Continued)*

Property development business

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 11.60% (2014: 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 2015.

Natural gas business

For the purpose of impairment testing, the recoverable amounts of the CGUs are determined from value in use calculations.

The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow projection covering period until the expiry of the relevant operation period. The cash flow projections for the first five years are based on financial budgets approved by management. The 5-year period financial budgets are prepared based on the pattern consistent with the track record of the respective entities taking into account the stage of the development of the respective gas projects and expectation of future in the market. The cash flows beyond the 5-year period are extrapolated using an estimated growth pattern at an annualised growth rates for each CGU ranging from 0% to 19.89% and assuming the gross profit margin will be at the same throughout the whole projection period. The growth rates are based on the management's estimation on the respective entity's projected market share and industry growth forecast.

The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs and determined the discount rates to be from 10.96% to 17.52%.

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amounts of goodwill to exceed the recoverable amount of respective CGUs.

18. INTANGIBLE ASSETS

	Operating concession rights in natural gas business HK$'000
COST	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Arising on acquisition of subsidiaries (Note 37)	231,993
Exchange difference	(13,001)
31 December 2015	218,992
AMORTISATION	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Charge for the year	5,530
Exchange difference	(263)
31 December 2015	5,267
CARRYING AMOUNTS	
At 31 December 2015	213,725
At 31 December 2014	–

The intangible assets represent the Group's operating concession rights for natural gas business. The operating concession rights are amortised on a straight-line method over the remaining operating periods.

The intangible assets arising on acquisition of subsidiaries are measured at fair value at the acquisition date based on the directors' valuation with reference to independent valuation performed by professional valuers.

Details of the pledged intangible assets as at 31 December 2015 are set out in Note 38.

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 year. 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 2015 and 2014 is set out in Note 40.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Unlisted equity security at cost (note a)	–	12,658
Unlisted investment at cost (note b)	25,000	37,000
	25,000	49,658

	2015 HK$'000	2014 HK$'000
Analysed for reporting purposes as:		
Current assets	25,000	37,000
Non-current assets	–	12,658
	25,000	49,658

notes:

(a) The unlisted equity investment represents 10% of the registered capital 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. During the year ended 31 December 2015, given the operation of the Huangcheng Club is deteriorating, an impairment loss and exchange difference of approximately HK$12,500,000 and HK$158,000 was recognised respectively. Following the termination of property project in Beijing Qianmen, on 25 September 2015, the investment was transferred to a shareholder of Huangcheng Club at notional consideration.

(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.

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Consumables and spare parts	646	538
Natural gas	7,001	–
	7,647	538

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

* *For identification purpose only*

22. INVENTORY OF PROPERTIES

	2015 HK$'000	2014 HK$'000
At beginning of the year	**1,590,385**	1,711,400
Construction costs incurred	**128,446**	448,943
Capitalisation of interest (Note 8)	**119,245**	104,369
Recognition of cost of sales	**(352,486)**	(91,640)
Transfer to investment properties (Note 16)	**–**	(582,687)
Transfer from investment properties (Note 16)	**779,747**	–
Settlement of consideration payable	**(58,230)**	–
Exchange difference	**(97,226)**	–
At end of the year	**2,109,881**	1,590,385

	2015 HK$'000	2014 HK$'000
Properties under development	**564,393**	1,055,634
Properties held for sale	**1,545,488**	534,751
	2,109,881	1,590,385

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

Details of the pledged inventory of properties at 31 December 2015 and 2014 are set out in Note 38.

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

	2015 HK$'000	2014 HK$'000
Trade receivables	**108,774**	39,579
Less: Allowance for doubtful debts	**–**	–
	108,774	39,579
Prepayments (note a)	**146,565**	145,539
Receivable on disposal of subsidiaries	**–**	879
Receivable on disposal of investment properties	**–**	56,456
Other receivables and other deposits (note b)	**57,944**	46,125
	313,283	288,578

notes:

(a) Included in prepayments are amounts of approximately HK$11,018,000 (2014: approximately HK$12,162,000) for the repair and maintenance deposit paid to the government. The remaining balances represent the prepayment for construction work, prepayment for purchase of natural gas and other prepaid expenses.

(b) Included in other receivables and other deposits are amounts of approximately HK$14,047,000 and HK$7,872,000 (2014: approximately HK$14,285,000 and HK$8,370,000) for 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) based on invoice date at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Within 90 days	**95,980**	34,738
91 to 180 days	**1,087**	44
Over 180 days	**11,707**	4,797
	108,774	39,579

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The credit period generally granted to customers in relation to sales of natural gas is from 10 to 90 days. As for the customers in relation to connection of gas pipelines, the Group generally requests advance payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of 2 years.

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.

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:

	2015 **HK$'000**	2014 HK$'000
Overdue by:		
1–30 days	**1,087**	44
31–60 days	**–**	937
61–180 days	**11,520**	3,825
Over 180 days	**187**	35
	12,794	4,841

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2015 **HK$'000**	2014 HK$'000
Pledged bank deposits (Note 38)	**14,286**	–
Bank balances and cash	**89,846**	449,500
	104,132	449,500

These bank balances carry interest at market rates which range from 0.01% to 0.30% (2014: 0.01% to 0.35%) per annum. At 31 December 2015, the pledged bank deposits carry interest rate of 2.65% per annum (2014: nil).

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

25. TRADE AND OTHER PAYABLES

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

	2015 **HK$'000**	2014 HK$'000
Within 90 days	**306,619**	483,783
91 to 180 days	**562**	1,153
Over 180 days	**36,387**	30,446
Trade payables	**343,568**	515,382
Interest payables	**49,095**	32,466
Accrued expenses and other tax payables	**20,422**	11,495
Consideration payables for acquisition of subsidiaries (note a)	**39,314**	–
Other payables (note b)	**169,352**	153,784
	621,751	713,127

Trade payables principally comprise amounts outstanding for purchase of natural gas and 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.

notes:

(a) The consideration payable represent the amount payable for acquisition of subsidiaries and additional interests in subsidiaries.

(b) The other payables included approximately HK$25,985,000 (2014: approximately HK$25,516,000), being deposit received from vendor for construction work.

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.

	2015 **HK$'000**	2014 HK$'000
Deposits received for sale of properties	**59,239**	124,217
Deposits received for lease of properties	**1,667**	3,399
	60,906	127,616
Less: Amounts shown under current liabilities	**(59,239)**	(124,217)
Amounts shown under non-current liabilities	**1,667**	3,399

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.

27. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

These amounts were 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 9–15% per annum and repayable within two years. The directors consider that the carrying amount of these amounts approximates to their fair value.

	2015 **HK$'000**	2014 HK$'000
Shareholder's subsidiaries		
Unsecured, bearing interest at 12–15% per annum and repayable within one year	**264,581**	102,604
Unsecured, bearing interest at 9% per annum and repayable more than one year but not exceeding two years	**357,143**	–
	621,724	102,604
Less: Amount due within one year shown under current liabilities	**(264,581)**	(102,604)
	357,143	–

29. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans	**949,014**	1,285,935
Other loans	**283,316**	225,443
	1,232,330	1,511,378
Analysis as:		
Secured	**1,106,092**	1,204,492
Unsecured	**126,238**	306,886
	1,232,330	1,511,378
Carrying amount repayable		
Within one year	**773,304**	1,012,413
More than one year, but not exceeding two years	**215,573**	205,064
More than two years, but not more than five years	**161,310**	225,547
More than five years	**82,143**	68,354
	1,232,330	1,511,378
Less: Amounts due within one year shown under current liabilities	**(773,304)**	(1,012,413)
	459,026	498,965

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

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 contractual maturity dates (or reset dates) are as follows:

	2015 **HK$'000**	2014 HK$'000
Fixed rate borrowings:		
— Within one year	**519,255**	776,076
— More than one year, but not exceeding two years	**90,953**	–
	610,208	776,076

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 3.6% to 24% (2014: 6% to 22%) per annum, while the variable rate borrowings carry interest rate at rates which range from 5.50% to 8.52% (2014: 6.77% to 8.52%) 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:

	2015 **RMB'000**	2014 RMB'000
Currency — RMB	**1,001,557**	1,193,989

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

	Total HK$'000
At 1 January 2014	69,596
Interest charged (Note 8)	5,333
Interest paid	(2,594)
As 31 December 2014 and 1 January 2015	72,335
Interest charged (Note 8)	5,546
Interest paid	(2,595)
At 31 December 2015	75,286

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% (2014: 15.25%) per annum. Interest expenses of approximately HK$89,753,000 (2014: approximately HK$71,510,000) was charged to profit or loss for the year ended 31 December 2015.

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. SHARE CAPITAL

	Number of ordinary shares HK$0.1 each	Amount HK$'000
Authorised:		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2014	1,858,722,861	185,872
Issue of shares (note)	185,872,000	18,587
At 31 December 2014, 1 January 2015 and 31 December 2015	2,044,594,861	204,459

note: 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.

33. 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.

33. SHARE OPTION SCHEME *(Continued)*

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.

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 2015:

Category	Date of grant	Exercise price HK$	Exercisable period DD/MM/YYYY	At 1 January 2015	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2015
Directors	**03/11/2010**	**0.9602**	**03/11/2010 to 02/11/2020**	**25,590,526**	**–**	**–**	**–**	**–**	**25,590,526**
Director	**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**
Directors, employees and consultants	**22/01/2015**	**0.6680**	**22/01/2015 to 21/01/2025**	**–**	**180,872,286**	**–**	**–**	**–**	**180,872,286**
Employees and consultants	**16/06/2015**	**0.8800**	**16/06/2015 to 15/06/2025**	**–**	**60,000,000**	**–**	**–**	**–**	**60,000,000**
Consultant	**25/06/2015**	**0.9100**	**25/06/2015 to 24/06/2025**	**–**	**20,445,948**	**–**	**–**	**–**	**20,445,948**
				122,639,754	**261,318,234**	**–**	**–**	**–**	**383,957,988**

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

33. SHARE OPTION SCHEME *(Continued)*

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, 2013 and 2015 were vested at the date of grant.

During the year ended 31 December 2015, the Group incurred share option expenses of approximately HK$57,581,000 (2014: nil).

The Scheme was adopted by way of Shareholders' resolution on 18 June 2013. Accordingly, the Scheme mandate limit was granted as at the time of adoption of the Scheme would be 180,872,286 shares, there has 180,872,286 outstanding options which representing from the date of adoption of the Scheme to 31 December 2015, being 10% of the issued share capital of the Company as at 18 June 2013.

On 27 February 2015, the Scheme mandate limit was refreshed to 204,459,486 Shares (representing approximately 10% of the issued share capital of the Company as at 27 February 2015). Subsequently, there were further 80,445,948 options granted from the date of the latest refreshment of the Scheme mandate limit, which has 80,445,948 options were outstanding (representing approximately 3.93% of the issued share capital of the Company as at 27 February 2015) as at 31 December 2015. Under the current refreshed Scheme mandate limit, the share options carrying the rights to subscribe for 124,013,538 shares (representing approximately 6.07% of issued share capital of the Company) were available for granting by the Company as at 31 December 2015.

The fair value of the total options granted in the year measured as at 22 January 2015, 16 June 2015 and 25 June 2015 were approximately HK$38,390,000, HK$14,190,000 and HK$5,001,000 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes model with Binomial Tree method:

1. an expected volatility was 26.1540%, 26.3530% and 26.3745% 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 1.7159%, 1.8573% and 1.8433% respectively.

The Black-Scholes model with Binomial 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.

34. 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	Intangible assets HK$'000	Total HK$'000
At 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 and 1 January 2015	274,553	137,993	–	412,546
Exchange difference	(17,047)	–	(2,179)	(19,226)
Acquisition of subsidiaries (Note 36 and 37)	–	(2,006)	43,512	41,506
Charged (credited) to the consolidated statement of profit or loss for the year (Note 10)	14,804	(8,209)	(1,041)	5,554
At 31 December 2015	272,310	127,778	40,292	440,380

At 31 December 2015 and 2014, 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 Enterprise 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. 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 2015, the unrecognised deferred tax liabilities were approximately HK$6,134,000 (2014: approximately HK$8,082,000), 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 2015 amounted to approximately HK$61,342,000 (2014: approximately HK$80,820,000).

35. 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.

36. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) On 25 March 2015, China Water Property (Hong Kong) Development Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, 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 was 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. The difference between the consideration of approximately HK$96,285,000 and the carrying amount of additional interest acquired by the Group was credited to equity as capital reserve of approximately HK$45,224,000 during the year ended 31 December 2015. Details of the transaction are set out in the Company's announcement dated 25 March 2015.

(b) Shenzhen Zhongshui Property Company Limited*, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with the holder of the remaining 30% equity interests of Beijing Shenglong Culture Company Limited* in the PRC for a notional consideration. There were no material difference between the consideration paid and the carrying amount of the additional interests acquired by the Group. Details of the transactions are set out in the Company's announcement dated 25 September 2015 and 20 October 2015.

* *For identification purpose only*

37. ACQUISITION OF BUSINESSES THROUGH PURCHASE OF SUBSIDIARIES

(a) On 31 December 2014, a subsidiary of the Group entered into acquisition agreements with an independent third party, pursuant to which the Group acquired 70% equity interest of Yongxing Zhongtian Gas Company Limited* and Rucheng Zhongtian Gas Company Limited* ("Zhongtian Companies") in Hunan Province at a consideration of Renminbi ("RMB") 63,000,000 (approximately HK$79,747,000). The acquisition was completed during the year and the ownership title was passed to the Group. Zhongtian Companies are principally engaged in operation of two exclusive natural gas construction and concession operating rights.

The provisional value of the combined assets and liabilities acquired at the date of acquisition were as follows:

	Zhongtian Companies HK$'000
Non-current assets	
Property, plant and equipment	123,977
Intangible assets	103,172
Current assets	
Inventories	2,434
Trade and other receivables	897
Cash and cash equivalents	458
Non-current liabilities	
Bank borrowings	(124,051)
Deferred tax liabilities	(25,793)
Current Liability	
Other payables and accruals	(2,344)
Net assets	78,750
Less: Non-controlling interest	(23,625)
Net assets acquired	55,125

Goodwill arising on acquisition (determined on a provisional basis)

	Zhongtian Companies HK$'000
Consideration	79,747
Less: Fair value of identified net assets acquired	(55,125)
Goodwill arising on acquisition	24,622

* *For identification purpose only.*

37. ACQUISITION OF BUSINESSES THROUGH PURCHASE OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Goodwill arising on acquisition (determined on a provisional basis) *(Continued)*

Goodwill arose on the acquisition of Zhongtian Companies are attributable to its anticipated profitability in potential markets expansion and the anticipated future operating synergies from the combination.

None of goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as administrative expenses in consolidated statement of profit or loss and other comprehensive income in the year ended 31 December 2015.

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	79,747
Less: cash and cash equivalent balances acquired	(458)
	79,289

Had the acquisitions of Zhongtian Companies been effected on 1 January 2015, the revenue of the Group for the year ended 31 December 2015 would have been approximately HK$11.1 million, and the profit for the current year would have been approximately HK$4.4 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Zhongtian Companies been acquired on 1 January 2015, the Directors have calculated depreciation and amortisation of property, plant and equipment and intangible assets acquired on the basis of the provisional fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

37. ACQUISITION OF BUSINESSES THROUGH PURCHASE OF SUBSIDIARIES *(Continued)*

(b) On 6 February 2015, a subsidiary of the Group entered into acquisition agreements with independent third parties, pursuant to which the Group acquired 90% equity interest of Tonggu County Tongcheng Natural Gas Company Limited* ("Tonggu Company") in Jiangxi Province at a consideration of RMB24,569,000 (approximately HK$31,099,000) (adjusted, subject to downward adjustment). The acquisition was completed during the year and the ownership title was passed to the Group. Tonggu Company is principally engaged in operation of an exclusive natural gas construction and concession operating rights.

The provisional value of the assets and liabilities acquired at the date of acquisition were as follows:

	Tonggu Company HK$'000
Non-current assets	
Property, plant and equipment	1,083
Intangible assets	88,466
Current assets	
Inventories	1,342
Other receivables	7,186
Cash and cash equivalents	161
Non-current liabilities	
Bank borrowing	(25,303)
Deferred tax liabilities	(7,630)
Current liability	
Trade and other payables	(38,617)
Net assets	26,688
Less: Non-controlling interest	(2,669)
Net assets acquired	24,019

Goodwill arising on acquisition (determined on a provisional basis)

	Tonggu Company HK$'000
Consideration	31,099
Less: Fair value of identified net assets acquired	(24,019)
Goodwill arising on acquisition	7,080

* *For identification purpose only.*

37. ACQUISITION OF BUSINESSES THROUGH PURCHASE OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Goodwill arising on acquisition (determined on a provisional basis) *(Continued)*

Goodwill arose on the acquisition of Tonggu Company are attributable to its anticipated profitability in potential markets expansion and the anticipated future operating synergies from the combination.

None of goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as administrative expenses in consolidated statement of profit or loss and other comprehensive income in the year ended 31 December 2015.

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	27,684
Less: cash and cash equivalent balances acquired	(161)
	27,523

Had the acquisitions of Tonggu Company been effected on 1 January 2015, the revenue of the Group for the year ended 31 December 2015 would have been approximately HK$6.2million, and the loss for the current year would have been approximately HK$0.5 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Tonggu Company been acquired on 1 January 2015, the Directors have calculated depreciation and amortisation of property, plant and equipment and intangible assets acquired on the basis of the provisional fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

* *For identification purpose only.*

37. ACQUISITION OF BUSINESSES THROUGH PURCHASE OF SUBSIDIARIES *(Continued)*

(c) On 4 May 2015 and 31 July 2015, a subsidiary of the Group entered into acquisition agreements and with independent third parties, pursuant to which the Group acquired 100% equity interest of Xiangzhou County Senzhong Gas Company Limited* and Rongshui Yaneng Natural Gas Enterprise Development Company Limited* in Guangxi ("Guangxi Companies") at a consideration of RMB49,667,000 (approximately HK$60,569,000) (adjusted, subject to downward adjustment). The acquisition was completed during the year and the ownership title was passed to the Group. Guangxi Companies are principally engaged in operation of two exclusive natural gas construction and concession operating rights.

The provisional value of the combined assets and liabilities acquired at the date of acquisition were as follows:

	Guangxi Companies HK$'000
Non-current assets	
Property, plant and equipment	51,682
Intangible assets	40,355
Current assets	
Inventories	1,831
Trade and other receivables	333
Cash and cash equivalents	41
Non-current liability	
Deferred tax liabilities	(10,089)
Current liability	
Trade and other payables	(38,840)
Net assets acquired	45,313

Goodwill arising on acquisition (determined on a provisional basis)

	Guangxi Companies HK$'000
Consideration	60,569
Less: Fair value of identified net assets acquired	(45,313)
Goodwill arising on acquisition	15,256

37. ACQUISITION OF BUSINESSES THROUGH PURCHASE OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

Goodwill arising on acquisition (determined on a provisional basis) *(Continued)*

Goodwill arose on the acquisition of Guangxi Companies are attributable to its anticipated profitability in potential markets expansion and the anticipated future operating synergies from the combination.

None of goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as administrative expenses in consolidated statement of profit or loss and other comprehensive income in the year ended 31 December 2015.

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	60,569
Less: cash and cash equivalent balances acquired	(41)
	60,528

Had the acquisitions of Guangxi Companies been effected on 1 January 2015, the revenue of the Group for the year ended 31 December 2015 would have been approximately HK$4.0 million, and the loss for the current year would have been approximately HK$3.3 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Guangxi Companies been acquired on 1 January 2015, the Directors have calculated depreciation and amortisation of property, plant and equipment and intangible asset acquired on the basis of the provisional fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

38. 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:

	2015 HK$'000	2014 HK$'000
Inventory of properties together with relevant land use rights situated in the PRC	**1,352,548**	761,707
Investment properties situated in the PRC	**2,140,477**	2,164,277
Investment properties under development situated in the PRC	**–**	730,380
Property, plant and equipment situated in the PRC	**16,254**	–
Intangible assets situated in the PRC	**80,579**	–
Pledged bank deposit situated in the PRC	**14,286**	–
	3,604,144	3,656,364

In addition, the Group has also pledged its rights to receive income of a subsidiary in favour of a bank to secure a borrowing granted to the Group.

39. 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:

	2015 HK$'000	2014 HK$'000
Within one year	**28,262**	26,393
In the second to fifth years inclusive	**48,281**	70,190
	76,543	96,583

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.

39. OPERATING LEASES *(Continued)*

(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 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). On 25 September 2015, parties to the Lease Agreement agreed to terminate the leases Agreement and the Group will not proceed with the development and construction of the leased land and premises. Upon the termination of the Lease Agreement, Qianmen Tianshi refunded RMB35,000,000 (being part of the deposit paid) to the Group. No further commitment for the Group thereafter.

The Group as lessor

Property rental income earned during the year was HK$19,177,000 (2014: HK$21,484,000). The properties are expected to generate rental yield of 2.83% (2014: HK$3.61%) 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:

	2015 HK$'000	2014 HK$'000
Within one year	**12,540**	18,456
In the second to fifth years inclusive	**10,753**	13,901
More than five years	**4,564**	4,900
	27,857	37,257

* *For identification purpose only.*

40. CAPITAL COMMITMENTS

At 31 December 2015, 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$21.4 million (2014: approximately HK$452.6 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$71.4 million (2014: approximately HK$132.9 million).

The Group had no capital commitments in respect of acquisition agreement announced at 31 December 2015, contracted but not provided in the consolidated financial statements (2014: approximately HK$25.3 million).

41. CONTINGENT LIABILITIES

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

	2015 **HK$'000**	2014 HK$'000
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	**–**	–

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.

As at 31 December 2015, the Group had provided guarantees to banks for loans of approximately HK$48.7 million in respect of the mortgage loans provided by the banks to purchasers of the properties the Group developed and sold. The guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2015 and 2014.

42. 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)	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Shareholder	**5,546**	5,333	**–**	–	**–**	–	**–**	–
Shareholder's subsidiaries	**20,224**	4,969	**621,724**	102,604	**–**	–	**–**	–
Non-controlling interest	**–**	–	**–**	–	**7,872**	8,370	**32,253**	2,608
	25,770	10,302	**621,724**	102,604	**7,872**	8,370	**32,253**	2,608

notes:

(i) The interest paid on the convertible bond and amounts due to related parties. The interest rate ranges from 7.55%–15% p.a. (2014: 7.55%–12% p.a.).

(ii) The amounts are unsecured and interest bearing. 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.

(ii) During the year ended 31 December 2015, the Group acquired certain additional interests in subsidiaries from non-controlling interests. Details of the transactions are disclosed in Note 36.

43. EVENTS AFTER REPORTING PERIOD

On 5 January 2016, Shenzhen Huafeng Infrastructure Investments Limited*, a wholly owned subsidiary of the Company, entered into the Acquisition Agreement with Vendors to acquire 100% registered capital of Tongdao County Sen Tai Natural Gas Company Limited* (the "Target Company). The Target Company is a company established in PRC. The principal activities of the Target Company include sales of natural gas and gas pipeline construction. Details of the acquisition are set out in the Company's announcement dated 5 January 2016.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Paid-up capital/ registered capital	Percentage of issued capital/ registered attributable to the Group		Proportion of voting power held		Principal activities
			2015	2014	**2015**	2014	
Directly held:							
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands	USD10,000	**100%**	100%	**100%**	100%	Investment holdings
Green Environmental Resources Limited 綠色環境資源有限公司	British Virgin Islands	USD1	**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	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	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	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
First Supreme Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings

* *For identification purpose only.*

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ establishment	Paid-up capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2015	2014	Proportion of voting power held 2015	2014	Principal activities
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	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	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Land Development Limited 中國水務地產開發有限公司	Hong Kong	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	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	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	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	HK$10,000	**100%**	60%	**100%**	60%	Investment holdings
Hangzhou Niagra Real Estates Company Limited* ("Hangzhou Niagra") 杭州尼加拉置業有限公司	PRC	USD14,900,000 (note i)	**100%**	60%	**100%**	60%	Property development and sale of properties

* *For identification purpose only.*

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ establishment	Paid-up capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2015	2014	Proportion of voting power held 2015	2014	Principal activities
Hangzhou Mei Lai Commercial Corporation Management Company Limited* 杭州美萊商業企業管理有限公司	PRC	RMB30,000,000	**100%**	60%	**100%**	60%	Provision of management services
Hangzhou Pu Tian Property Development Company Limited* 杭州普天房地產開發有限公司	PRC	RMB30,000,000 (note ii)	**60%**	60%	**60%**	60%	Property development and sale of properties
Chunan Yuehuzhuang Hotel Company Limited* 淳安悅湖莊酒店有限公司	PRC	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	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	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	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	RMB28,333,333.33	**71%**	71%	**71%**	71%	Property development

* *For identification purpose only.*

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ establishment	Paid-up capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2015	2014	Proportion of voting power held 2015	2014	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	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	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	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	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	Hong Kong	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	RMB10,000,000	**100%**	100%	**100%**	100%	Property development
北京聖龍文化有限公司	PRC	RMB20,000,000	**100%**	70%	**100%**	70%	Investment holdings

* *For identification purpose only.*

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ establishment	Paid-up capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2015	2014	Proportion of voting power held 2015	2014	Principal activities
China Environment Investment Limited 中國環境投資有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
邁森融資租賃(上海)有限公司	PRC	RMB219,666,229	**100%**	100%	**100%**	100%	Investment holdings
Wuhan Chengji Commodity City Management Company Limited* 武漢城基小商品城商業管理有限公司	PRC	RMB500,000	**100%**	–	**100%**	–	Provision of management service
Shenzhen Huafeng Infrastructure Investments Company Limited* 深圳華峰基礎設施投資有限公司	PRC	RMB20,000,000	**100%**	–	**100%**	–	Property development and sale of properties
Yongxing Zhongtian Gas Company Limited* 永興中天燃氣有限公司	PRC	RMB50,000,000	**70%**	–	**70%**	–	Sales of natural gas and gas pipeline construction
Rucheng Zhongtian Gas Company Limited* 汝城中天燃氣有限公司	PRC	RMB50,000,000	**70%**	–	**70%**	–	Sales of natural gas and gas pipeline construction
Tonggu County Tongcheng Natural Gas Company Limited* 銅鼓縣銅城天然氣有限公司	PRC	RMB6,080,000	**90%**	–	**90%**	–	Sales of natural gas and gas pipeline construction

* *For identification purpose only.*

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ establishment	Paid-up capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2015	2014	Proportion of voting power held 2015	2014	Principal activities
Rongshui Yaneng Natural Gas Enterprise Development Company Limited* 融水亞能天然氣實業發展有限公司	PRC	RMB10,000,000	**100%**	–	**100%**	–	Sales of natural gas and gas pipeline construction
Xiangzhou County Senzhong Gas Company Limited* 象州縣森眾燃氣有限公司	PRC	RMB10,000,000	**100%**	–	**100%**	–	Sales of natural gas and gas pipeline construction

notes:

(i) Hangzhou Niagra Real Estates Co. Ltd and Water Property Hubei Group 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.

* *For identification purpose only.*

44. 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.

	2015 HK$'000 Yongxing Zhongtian (note a)	2014 HK$'000 Hangzhou Niagra (note b)
NCI percentage	30%	40%
Current assets	5,397	456,008
Non-current assets	127,466	867,433
Current liabilities	(22,667)	(782,800)
Non-current liabilities	(57,843)	(225,838)
Net assets	52,353	314,803
Carrying amount of NCI	15,706	125,921

	2015 HK$'000 Yongxing Zhongtian (note a)	2014 HK$'000 Hangzhou Niagra (note b)
Revenue	6,887	146,750
Profit and total comprehensive income for the year	814	78,466
Profit and total comprehensive income allocated to NCI	244	31,546
Net cash flow from (used in) operating activities	10,335	(280,126)
Net cash flow (used in) from investing activities	(218)	18
Net cash flow (used in) from financing activities	(9,720)	254,613
Net cash inflow (outflow)	397	(25,495)

notes:

(a) The Group acquired 70% of shareholding of Yongxing Zhongtian on 3 April 2015.

(b) The Group acquired the remaining 40% non-controlling interest of Hangzhou Niagra on 25 March 2015.

* *For identification purpose only.*

45. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current asset		
Interests in subsidiaries	**1,433,845**	1,520,194
Current assets		
Other receivables	**290**	297
Bank balances	**400**	13,018
	690	13,315
TOTAL ASSETS	**1,434,535**	1,533,509
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**204,459**	204,459
Reserves (note)	**531,761**	645,980
TOTAL EQUITY	**736,220**	850,439
Non-current liabilities		
Convertible notes	**75,286**	72,335
Senior notes	**–**	569,970
	75,286	642,305
Current liabilities		
Other creditors and accruals	**38,305**	40,765
Senior notes	**584,724**	–
	623,029	40,765
TOTAL LIABILITIES	**698,315**	683,070
TOTAL EQUITY AND LIABILITIES	**1,434,535**	1,533,509
NET CURRENT LIABILITIES	**(622,339)**	(27,450)
TOTAL ASSETS LESS CURRENT LIABILITIES	**811,506**	1,492,744

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Duan Chuan Liang	**Wang Wenxia**
DIRECTOR	*DIRECTOR*

45. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY *(Continued)*

note: Movement in the Company's reserves

	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 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 and 1 January 2015	1,300,114	71,463	25,434	32,897	(783,928)	645,980
Equity-settled share-based payment	–	–	–	57,581	–	57,581
Loss for the year	–	–	–	–	(171,800)	(171,800)
At 31 December 2015	1,300,114	71,463	25,434	90,478	(955,728)	531,761

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$532 million at 31 December 2015 (2014: approximately HK$646 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.

Financial Summary

RESULTS

	Year ended 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Continuing operations					
Revenue	136,901	271,374	368,265	232,170	**481,935**
Profit (loss) from operations	152,768	237,562	247,954	154,302	**(61,927)**
Finance costs	(22,873)	(39,689)	(31,358)	(32,053)	**(84,143)**
Profit (loss) before tax	129,895	197,873	216,596	122,249	**(146,070)**
Income tax expenses	(53,362)	(87,785)	(78,798)	(64,349)	**(35,570)**
Profit (loss) for the year before discontinued operation	76,533	110,088	137,798	57,900	**(181,640)**
Discontinued operation	(48,130)	(43,428)	–	–	**–**
Profit (loss) before non-controlling interests	28,403	66,660	137,798	57,900	**(181,640)**
Non-controlling interests	4,970	(17,570)	(52,207)	(25,830)	**2,346**
Profit (loss) for the year attributable to owners of the Company	33,373	49,090	85,591	32,070	**(179,294)**
Earnings (losses) per share from continuing and discontinued operations	HK Cents	HK Cents	HK Cents	HK Cents	**HK Cents**
— Basic	2.38	2.75	4.66	1.71	**(8.77)**
— Diluted	2.31	2.70	4.42	1.71	**(8.77)**

ASSETS AND LIABILITIES

	Year ended 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Total assets	3,387,278	4,129,350	5,148,891	5,835,330	**5,690,274**
Total liabilities	(1,738,025)	(2,361,005)	(3,148,080)	(3,634,964)	**(3,791,458)**
Non-controlling interests	(136,931)	(169,316)	(233,809)	(259,639)	**(142,363)**
Equity attributable to owners of the Company	1,512,322	1,599,029	1,767,002	1,940,727	**1,756,453**

Properties Particulars

Property Projects of the Group at 31 December 2015 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	100%	–
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	Completed	100%	–