

2014

Annual Report



中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

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Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	the Board of Directors of the Company
“Company”	China Strategic Holdings Limited
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “cents”	Hong Kong dollars and cents
“US\$”	United States dollars
“%”	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Or Ching Fai
(Chairman and Chief Executive Officer)
Mr. Sue Ka Lok
Ms. Lee Chun Yeung, Catherine
Mr. Hui Richard Rui
Mr. Chow Kam Wah

Independent Non-executive Directors

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying

AUDIT COMMITTEE

Ms. Ma Yin Fan *(Chairman)*
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying

REMUNERATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

NOMINATION COMMITTEE

Dr. Or Ching Fai *(Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

COMPANY SECRETARY

Mr. Sue Ka Lok
(appointed on 1st April, 2015)
Mr. Chow Kim Hang
(resigned on 1st April, 2015)

REGISTERED OFFICE

Rooms 3206-3210, 32nd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd., Hong Kong Branch

LEGAL ADVISERS

Reed Smith Richards Butler
Tung & Co

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRAR AND TRANSFER OFFICE

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

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 235)

WEBSITE

www.cshgroup.com

* The above information is updated to 24th April, 2015, the latest practicable date before printing of this annual report.

Chairman's Statement

On behalf of the Board, I am pleased to present to the shareholders the results of the Group for the year ended 31st December, 2014.

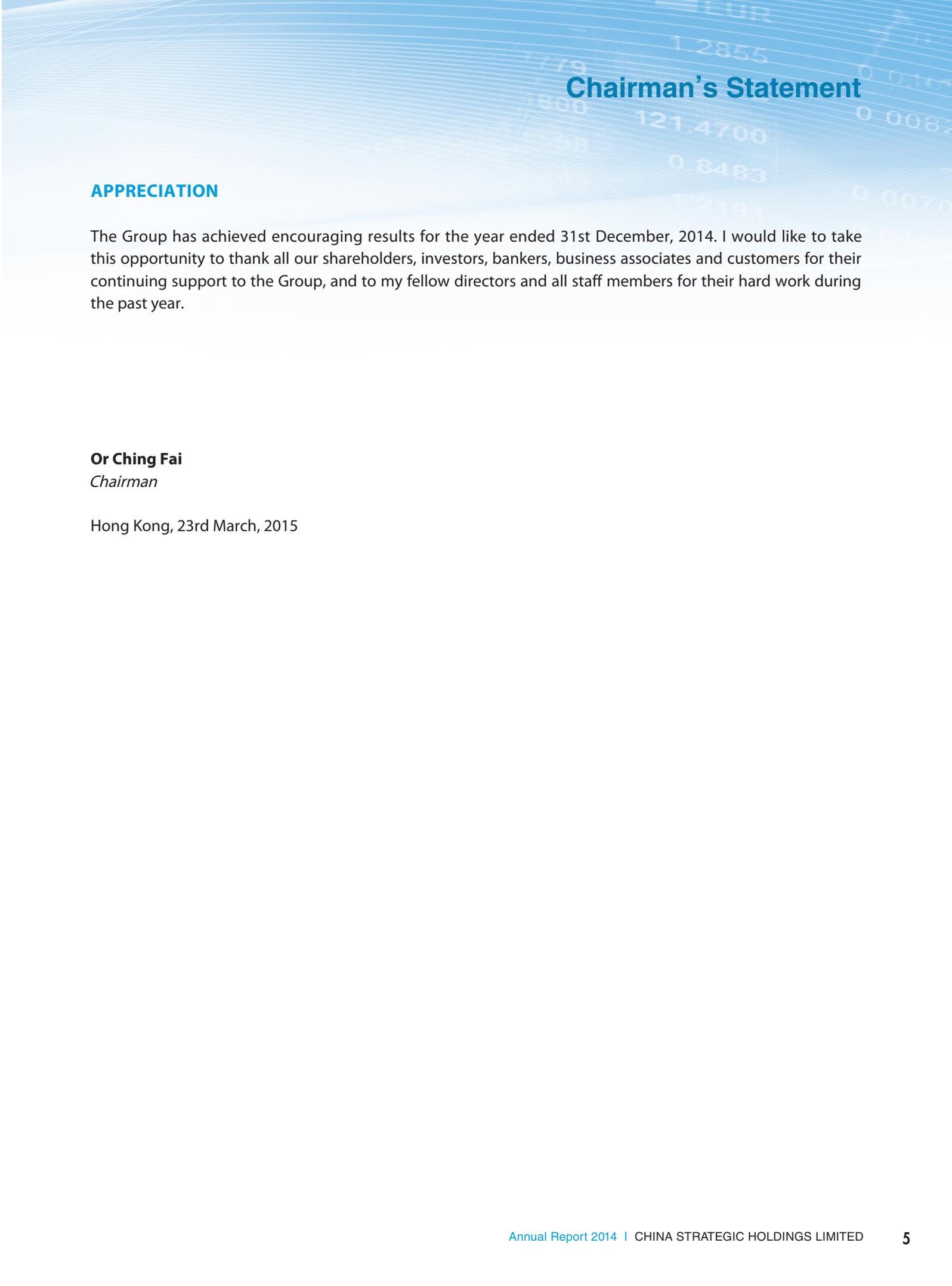
RESULTS

During the year, the Group entered into a sale and purchase agreement with an independent third party to dispose of its battery operation at a cash consideration of HK\$5,000,000. The disposal was completed in May 2014 with a gain on disposal amounting to HK\$110,571,000 being recognised. Accordingly, the results of the disposed battery operation were accounted for as discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the current year and the results of last year have also been restated.

For the year under review, the Group continued to focus on the development of its business in investment in securities, trading and money lending. The Group registered a significant turnaround of its results by reporting a profit attributable to owners of the Company from its continuing operations of HK\$270,465,000 (2013: loss of HK\$5,473,000) and basic earnings per share from continuing operations of HK5.78 cents (2013: basic loss per share of HK0.13 cent). The profitable results achieved by the Group were mainly attributed to the substantial net gain on financial assets of HK\$279,066,000 earned by the investment in securities operation as well as the profitable results reported by the trading and money lending operations. For the review year, the Group reported revenue of HK\$417,590,000, substantially increased by 281% over last year (2013: HK\$109,479,000), and gross profit of HK\$30,730,000, rose by 139% compared to the previous year (2013: HK\$12,858,000). The surge of the Group's revenue was mainly due to the increase in trading volume of metal minerals and electronic components as well as interest income from money lending business over last year, whereas the increase in the Group's gross profit was the combined effect of additional profits contributed by all three of the Group's continuing operations, being the investment in securities, trading and money lending operations. During the year, the Group invested in 20,310,500 H shares in Shengjing Bank Co., Ltd. ("Shengjing Bank") under a cornerstone investment agreement. Shengjing Bank is a Chinese commercial bank listed on the Stock Exchange in December 2014 which the Board believes has a positive prospect.

PROSPECTS

Looking forward, the slowdown of the Mainland's economy, the uncertainties about the raise of interest rate in the United States and the instabilities in the European economy may all pose negative impact to the global investment markets including Hong Kong. As such, the management will take a prudent approach in managing the Group's securities investments portfolio. In order to strengthen the Group's capital base, the Company had conducted the share placement and rights issue exercises during the year and raised in aggregate net proceeds of approximately HK\$287,372,000. The Group will deploy the new capital raised to continue developing its existing businesses as well as seeking investment opportunities with good potential with the view to enhance shareholders' value.



Chairman's Statement

APPRECIATION

The Group has achieved encouraging results for the year ended 31st December, 2014. I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuing support to the Group, and to my fellow directors and all staff members for their hard work during the past year.

Or Ching Fai

Chairman

Hong Kong, 23rd March, 2015

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31st December, 2014, the Group discontinued its battery operation and continued to engage in investment in securities, trading and money lending businesses.

Continuing Operations

Investment in Securities

Securities Investments

For the year under review, the Group's securities investment operation recorded revenue of HK\$16,301,000 (2013: HK\$8,728,000) representing dividend from listed equity securities. The operation's profit substantially increased by over 8.6 times to HK\$294,794,000 (2013: HK\$30,645,000), which was mainly due to the upturn in Hong Kong stock market. The profit earned by the operation comprised mainly dividend income received and a net unrealised gain of HK\$290,845,000 (2013: HK\$8,583,000) on the listed securities portfolio held by the Group. During the year, the investment sentiments in Hong Kong stock market had improved mainly because of the market perceptions that the economic recovery of the United States and the economic growth of Mainland China are sustainable, and as a result, a significant increase in profit was recorded by the operation. At year end, the Group's securities portfolio comprised mainly Hong Kong listed equity securities in infrastructure company, property company, industrial materials company, healthcare services company, financial services company, mining and resources company, conglomerate company and energy company and was valued at HK\$737,686,000 (2013: HK\$393,077,000).

Available-for-sale Investment

In December 2014, the Group invested about HK\$155,095,000 to subscribe for 20,310,500 H shares of Shengjing Bank Co., Ltd., a commercial bank in the PRC and listed on the Stock Exchange, as long-term investment. Further details of the investment are set out in the announcement of the Company dated 10th December, 2014.

Trading

During the year under review, the Group's trading operation continued to focus on the sourcing, transporting and supplying of metal minerals and electronic components. When comparing with last year, the operation posted an almost 3 times jump in revenue to HK\$393,995,000 (2013: HK\$99,273,000) and an about 1.4 times increase in segment profit to HK\$6,279,000 (2013: HK\$2,652,000). The growth in the operation's revenue and profit were principally attributed to the increased volume of metal minerals and electronic components transacted during the year, which was in turn a result of the management's successful efforts in expanding the operation's supplier and customer base.

Money Lending

The money lending operation continued to provide a stable income source to the Group for the current year. Interest income generated by the operation amounting to HK\$7,294,000, increased by over 3.9 times over the prior year (2013: HK\$1,478,000) and with its segment profit also increased by over 5 times to HK\$7,684,000 (2013: HK\$1,275,000). The increases in revenue and profit of the operation were mainly due to the higher average amount of loans advanced to customers over last year. The loan portfolio held by the Group amounted to HK\$3,036,000 (2013: HK\$129,304,000) at the year end.

Management Discussion and Analysis

Discontinued Operation

For the year under review, the discontinued battery operation reported revenue of HK\$700,000 (2013: HK\$3,337,000) and incurred segment loss of HK\$1,225,000 (2013: HK\$2,013,000). In May 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its battery operation at a cash consideration of HK\$5,000,000 and a gain on disposal of HK\$110,571,000 was recognised. As mentioned in the Company's announcement dated 8th May, 2014, the battery operation was engaged in the manufacturing and trading of battery products and related accessories. In view of the losses suffered by the operation in previous financial years, the Board decided to discontinue the operation and was of the view that the disposal would provide a good opportunity for the Group to realise its investment in the battery operation.

Overall Results

For the year ended 31st December, 2014, the Group recorded profit attributable to owners of the Company of HK\$376,994,000 (2013: loss of HK\$15,398,000) and basic earnings per share of HK8.06 cents (2013: basic loss per share of HK0.36 cent) from continuing and discontinued operations. The turnaround of the Group's results were mainly due to the substantial profit earned by the securities investments operation of HK\$294,794,000 (2013: HK\$30,645,000) and a gain on disposal of the discontinued battery operation of HK\$110,571,000, as well as the profitable results contributed by the trading operation of HK\$6,279,000 (2013: HK\$2,652,000) and the money lending operation of HK\$7,684,000 (2013: HK\$1,275,000).

FINANCIAL REVIEW

During the year ended 31st December, 2014, the Group financed its operations mainly by cash generated from its business activities and credit facilities provided by banks. At 31st December, 2014, the Group had current assets of HK\$1,108,769,000 (2013: HK\$707,883,000) comprising cash and short-term securities investments totaling HK\$1,040,166,000 (2013: HK\$573,136,000). The Group's current ratio, calculated based on current assets of HK\$1,108,769,000 (2013: HK\$707,883,000) over current liabilities of HK\$11,761,000 (2013: HK\$159,002,000), was at a very strong ratio of 94.3 (2013: 4.5). At year end, the Group's trade and other receivables amounted to HK\$64,916,000, increased by 2.1 times over last year (2013: HK\$20,922,000) mainly due to the surge in trade volume of metal minerals and electronic components transacted during the year. The finance costs related to the Group's continuing operations were HK\$139,000 (2013: nil), represented mainly the interest on bill receivables discounted to banks.

At year end, the equity attributable to owners of the Company amounted to HK\$1,259,673,000 (2013: HK\$608,871,000) and was equivalent to an attributable amount of about HK\$0.19 (2013: HK\$0.16) per share of the Company. The increase in equity attributable to owners of the Company was mainly due to the profit earned by the Group and the aggregate net proceeds of about HK\$287,372,000 raised by the Company through the shares placement and rights issue exercises conducted during the year. The net proceeds of approximately HK\$115,309,000 raised from the shares placement completed in September 2014 had been utilized as general working capital of the Group whereas the net proceeds of about HK\$172,063,000 raised from the rights issue completed in December 2014 were intended to be utilized as to (i) approximately 40% to 50% for the development of the Group's money lending business; (ii) approximately 30% to 40% for the development of the Group's metal minerals and electronic components trading business; and (iii) the remaining balance for opportunistic investments and general corporate purpose.

Management Discussion and Analysis

At 31st December, 2014, the Group had no bank and other borrowings (2013: HK\$111,740,000). The Group's gearing ratio calculated by dividing total liabilities of HK\$11,761,000 (2013: HK\$161,267,000) over the equity attributable to owners of the Company of HK\$1,259,673,000 (2013: HK\$608,871,000) was at a very low level of about 0.01 (2013: 0.26).

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the year ended 31st December, 2014, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purpose.

Pledge of Assets

At 31st December, 2014, the Group had no significant assets under pledge.

At 31st December, 2013, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK\$1,397,000 and HK\$2,358,000, respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group.

Contingent Liability

At 31st December, 2014, the Group had no significant contingent liability (2013: nil).

Capital Commitment

At 31st December, 2014, the Group had a capital commitment of HK\$654,000 to acquire a motor vehicle (2013: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31st December, 2014, the Group employed 25 staff for its continuing operations and staff costs (excluding directors' emoluments) amounted to HK\$5,148,000 (2013: HK\$2,929,000) for the year. The staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other staff benefits which include medical insurance, share option scheme and discretionary bonuses.

Biographical Details of Directors

The biographical details of Directors as at 23rd March, 2015, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Dr. Or Ching Fai, *Chairman, Chief Executive Officer and Chairman of the Nomination Committee*

Aged 65, joined the Company as an Executive Director and the Chief Executive Officer in November 2009. Dr. Or was appointed as the Chairman of the Company on 2nd March, 2012. He is also a director of various subsidiaries of the Company. Dr. Or graduated from The University of Hong Kong in 1972 and was awarded an Honorary Doctor of Social Science from the City University of Hong Kong in 2014. Dr. Or is a Justice of the Peace and has rich experiences in the insurance, banking and financial services industries. He was the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited. He was also the chairman of HSBC Insurance Limited. Dr. Or was the chief executive and vice-chairman of Hang Seng Bank Limited (stock code: 11), a company listed in Hong Kong. He was also the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. Dr. Or was the chairman of the Hong Kong Association of Banks; the vice president and a council member of the Hong Kong Institute of Bankers; the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong. Dr. Or is a vice patron of the board of the Community Chest of Hong Kong. Dr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. Dr. Or has been the chairman of the Financial Services Advisory Committee and a member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He has been a member of the Risk Management Committee of Hong Kong Exchanges and Clearing Limited and a member of the Aviation Development Advisory Committee. He was the deputy chairman of the Council of City University of Hong Kong and was a council member of The University of Hong Kong; an adviser of the Employers' Federation of Hong Kong, a member of the 5th East Asian Games Planning Committee and a director of 2009 East Asian Games (Hong Kong) Limited. Dr. Or was a director of Cathay Pacific Airways Limited (stock code: 293) and Hutchison Whampoa Limited (stock code: 13). Dr. Or is the chairman and an independent non-executive director of Esprit Holdings Limited (stock code: 330), a vice-chairman and an independent non-executive director of G-Resources Group Limited (stock code: 1051) ("G-Resources") and an independent non-executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929), Television Broadcasts Limited (stock code: 511) and Industrial and Commercial Bank of China Limited (stock code: 1398). All of the above companies are listed in Hong Kong.

Biographical Details of Directors

Mr. Sue Ka Lok

Aged 49, joined the Group in November 2014 and was appointed as an Executive Director of the Company in December 2014. Mr. Sue is also a director of various subsidiaries of the Company. He holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and an ordinary member of the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director of BEP International Holdings Limited (stock code: 2326) ("BEP International") and was the chief executive officer of BEP International. Mr. Sue was the chairman and a non-executive director of China Tycoon Beverage Holdings Limited (stock code: 209). Mr. Sue was an executive director and the chief executive officer of Mission Capital Holdings Limited (formerly known as Poly Capital Holdings Limited) (stock code: 1141) ("Mission Capital") and was also an executive director and the chairman of Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) (stock code: 2336). All of the above companies are listed in Hong Kong.

Ms. Lee Chun Yeung, Catherine

Aged 46, joined the Group in September 2014 and was appointed as an Executive Director of the Company in February 2015. Ms. Lee is also a director of various subsidiaries of the Company. She holds a Bachelor of Arts degree from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Languages) and a Master of Business Administration degree from the University of South Australia. Ms. Lee has extensive experience in international trading of metal minerals and commodities. Ms. Lee had worked as an economist in a major commercial bank and a senior executive in a state-owned trading group in the PRC. Ms. Lee was an executive director of Mission Capital.

Mr. Hui Richard Rui

Aged 46, joined the Company as an Executive Director in September 2008. Mr. Hui is also a director of various subsidiaries of the Company. He graduated from University of Technology, Sydney of Australia with a bachelor's degree in mechanical engineering. Mr. Hui has over 10 years of experience in management positions of companies in Australia, Hong Kong and the PRC. Mr. Hui is an executive director of G-Resources and CST Mining Group Limited (stock code: 985) ("CST Mining"). All of the above companies are listed in Hong Kong.

Mr. Chow Kam Wah

Aged 52, joined the Company as an Executive Director in July 2007. Mr. Chow is also a director of various subsidiaries of the Company. He holds a master's degree in accountancy from The Hong Kong Polytechnic University. Mr. Chow has over 15 years of managerial experience in finance and accounting. He is a certified practising accountant of the CPA Australia.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan, *Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee*

Aged 51, joined the Company as an Independent Non-executive Director in September 2007. Ms. Ma obtained a bachelor's degree with honours in accounting from Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University respectively. Ms. Ma is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas with more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is a fellow member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in the England and Wales, Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a Certified Tax Advisor in Hong Kong. Ms. Ma was an independent non-executive director of China New Energy Power Group Limited (stock code: 1041) ("China New Energy") until 14th November, 2014 and is an independent non-executive director of G-Resources and CST Mining. All of the above companies are listed in Hong Kong.

Mr. Chow Yu Chun, Alexander, *Chairman of the Remuneration Committee and member of the Audit Committee*

Aged 67, joined the Company as an Independent Non-executive Director in March 2011. Mr. Chow is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow was a non-executive director of New World China Land Limited (stock code: 917) and is an independent non-executive director of Playmates Toys Limited (stock code: 869) and Top Form International Limited (stock code: 333), and has been appointed as an independent non-executive director of Symphony Holdings Limited (stock code: 1223) on 15th December, 2014. All of the above companies are listed in Hong Kong.

Mr. Leung Hoi Ying, *member of the Audit Committee, the Remuneration Committee and the Nomination Committee*

Aged 64, joined the Company as an Independent Non-executive Director in September 2007. Mr. Leung graduated from Guangdong Foreign Trade School in the PRC. He has over 15 years of experience in the trading business and business development. He was an independent non-executive director of China New Energy until 14th November, 2014 and is an independent non-executive director of G-Resources. All of the above companies are listed in Hong Kong.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 27 to 28.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2014 (2013: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 86. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Company and of the Group during the year are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

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

During the year ended 31st December, 2014, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVE

As at 31st December, 2014, the Company had no reserve available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 89% of the total sales for the year and sales to the largest customer accounted for approximately 52%. Purchases from the Group's five largest suppliers accounted for approximately 97% of the total purchases for the year and purchases from the largest supplier accounted for approximately 83%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

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

Executive Directors:

Dr. Or Ching Fai
Mr. Sue Ka Lok (appointed on 1st December, 2014)
Ms. Lee Chun Yeung, Catherine (appointed on 2nd February, 2015)
Mr. Hui Richard Rui
Mr. Chow Kam Wah
Ms. Chan Ling, Eva (resigned on 1st June, 2014)
Ms. Chiu Ching Ching (retired on 20th June, 2014)

Independent Non-executive Directors:

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying

In accordance with Article 99 of the Company's Articles of Association, Mr. Sue Ka Lok and Ms. Lee Chun Yeung, Catherine will hold office until the forthcoming annual general meeting of the Company (the "AGM") and being eligible, will offer themselves for re-election in the forthcoming AGM.

In accordance with Article 116 of the Company's Articles of Association, Dr. Or Ching Fai and Mr. Chow Kam Wah will retire at the forthcoming AGM by rotation and, being eligible, will offer themselves for re-election in the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 15 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Ms. Ma Yin Fan and Mr. Leung Hoi Ying resigned as an independent non-executive director of China New Energy Power Group Limited (stock code: 1041), a listed company in Hong Kong, with effect from 14th November, 2014;
2. Mr. Chow Yu Chun, Alexander has been appointed as an independent non-executive director of Symphony Holdings Limited (stock code: 1223), a listed company in Hong Kong, with effect from 15th December, 2014; and
3. Ms. Lee Chun Yeung, Catherine received a discretionary bonus in the amount of HK\$143,000 in March 2015, which were recommended by the Remuneration Committee of the Company and approved by the Board.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2014, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share option scheme" disclosure in note 34 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company 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 of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 34 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2014, no person had interests of more than 5% of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party disclosures as disclosed in note 40 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, share option scheme as well as discretionary bonuses.

The determination of directors' remuneration has taken into consideration of their respective responsibilities and contributions to the Company and with reference to market terms.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31st December, 2014 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31st December, 2014 have been audited by Deloitte Touche Tohmatsu.

A resolution will be proposed at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Or Ching Fai

Chairman

Hong Kong, 23rd March, 2015

Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the year ended 31st December, 2014, except for the following deviations with reasons as explained:

Code Provision A.2.1

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

The Company has deviated from the requirement during the year ended 31st December, 2014. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

Code Provision A.6.7

Code provision A.6.7 of the CG Code 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.

Deviation

One independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 20th June, 2014 (the “2014 AGM”) as he had other important business engagement. However, there were three executive directors and two independent non-executive directors of the Company present at the 2014 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31st December, 2014.

Corporate Governance Report

BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have act in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

As at 23rd March, 2015, the date of this annual report, the Board comprises eight directors, five of which are Executive Directors, namely Dr. Or Ching Fai ("Dr. Or") (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine, Mr. Hui Richard Rui ("Mr. Hui") and Mr. Chow Kam Wah, and three are Independent Non-executive Directors, namely Ms. Ma Yin Fan ("Ms. Ma"), Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying ("Mr. Leung"). The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors" on pages 9 to 11 of this annual report.

As disclosed in that section, Dr. Or is a vice-chairman and an independent non-executive director of G-Resources Group Limited of which Mr. Hui is an executive director, and both Ms. Ma and Mr. Leung is an independent non-executive director. Mr. Hui is an executive director of CST Mining Group Limited of which Ms. Ma is an independent non-executive director. Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between the Chairman and the Chief Executive Officer and among senior management and members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

During the year ended 31st December, 2014, four regular Board meetings and 2014 AGM were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board meetings	2014 AGM
Executive Directors		
Dr. Or Ching Fai	4/4	1/1
Mr. Sue Ka Lok (appointed on 1st December, 2014)	0/4	0/1
Ms. Lee Chun Yeung, Catherine (appointed on 2nd February, 2015)	0/4	0/1
Mr. Hui Richard Rui	4/4	1/1
Mr. Chow Kam Wah	4/4	1/1
Ms. Chan Ling, Eva (resigned on 1st June, 2014)	1/4	0/1
Ms. Chiu Ching Ching (retired on 20th June, 2014)	1/4	0/1
Independent Non-executive Directors		
Ms. Ma Yin Fan	3/4	1/1
Mr. Chow Yu Chun, Alexander	3/4	1/1
Mr. Leung Hoi Ying	3/4	0/1

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company has deviated from the requirement during the year ended 31st December, 2014. Dr. Or Ching Fai acted as Executive Director, Chairman and Chief Executive Officer of the Company. Although this arrangement constitutes a deviation from the CG Code, the Board considers that the structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, the Board further believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. All Independent Non-executive Directors (including Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying) have signed appointment letter with the Company specifying the terms of his/her continuous appointment as an independent non-executive director and a member of the relevant Board committees, subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company as governed by the Company's Articles of Association, for a period of two years.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying. Mr. Chow Yu Chun, Alexander is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met two times during the year ended 31st December, 2014 to review and make recommendations to the Board on the discretionary bonus for executive directors and remuneration packages for directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Chow Yu Chun, Alexander	2/2
Ms. Ma Yin Fan	2/2
Mr. Leung Hoi Ying	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including one Executive Director, namely Dr. Or Ching Fai, and two Independent Non-executive Directors, namely Ms. Ma Yin Fan and Mr. Leung Hoi Ying. Dr. Or Ching Fai is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Stock Exchange's website.

Corporate Governance Report

NOMINATION COMMITTEE (continued)

The Nomination Committee met two times during the year ended 31st December, 2014 to review the board diversity policy of the Company (the "Board Diversity Policy"), review the structure, size and composition of the Board; and review and make recommendation to the Board on the appointment of a director. The attendance of each member is set out as follows:

Members	Number of attendance
Dr. Or Ching Fai	2/2
Ms. Ma Yin Fan	2/2
Mr. Leung Hoi Ying	2/2

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy on 19th July, 2013. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board and the Nomination Committee shall review and assess Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

The Nomination Committee had reviewed the diversity of the Board of the Company during the year ended 31st December, 2014 and will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31st December, 2014 is set out in the "Independent Auditor's Report" on pages 25 to 26 of this annual report.

For the year ended 31st December, 2014, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK\$1,367,000. During the year, HK\$616,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services including performing a review on the Company's condensed consolidated financial statements for the six months ended 30th June, 2014.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Ms. Ma Yin Fan is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for reviewing financial statements of the Company, discussing the internal control of the Group and meeting with auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

Corporate Governance Report

AUDIT COMMITTEE (continued)

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31st December, 2014 and the attendance of each member is set out as follows:

Members	Number of attendance
Ms. Ma Yin Fan	2/2
Mr. Chow Yu Chun, Alexander	2/2
Mr. Leung Hoi Ying	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31st December, 2013 and recommended to the Board for approval;
2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30th June, 2014 and recommended to the Board for approval;
3. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;
4. reviewed reports from auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31st December, 2013 and their review on the Company's condensed consolidated financial statements for the six months ended 30th June, 2014;
5. reviewed the effectiveness of the internal control system of the Group; and
6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31st December, 2014.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;
2. To review and monitor the training and continuous professional development of directors and senior management;
3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. To develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and
5. To review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss.

During the year, the Board conducted an annual review of the effectiveness of the internal control system of the Group.

COMPANY SECRETARY

The position of Company Secretary is held by Mr. Chow Kim Hang, a practicing solicitor of Hong Kong who is not an employee of the Company. The Company Secretary can contact the Company through the Executive Director, Mr. Chow Kam Wah. The Company Secretary reported to the Chairman of the Board from time to time. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

During the year ended 31st December, 2014, Mr. Chow Kim Hang had taken no less than 15 hours of relevant professional training.

Corporate Governance Report

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The annual general meetings (“AGM”) of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board committees are invited to attend the AGM. The chairman of the Board and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer questions at the AGM. The auditor of the Company is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor’s independence.

Under Section 566 of the Hong Kong Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the company. Besides, in relation to an annual general meeting which a company is required to hold, Section 615 of the Hong Kong Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all the shareholders having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the company not later than six weeks before the relevant annual general meeting or if later, when the notice of annual general meeting is despatched.

As a channel to further promote effective communication, the Group maintains a website at www.cshgroup.com where the Company’s annual and interim reports, notices, announcements and circulars are posted.

A printed copy of the Memorandum and Articles of Association of the Company has been published on the websites of the Company and the Stock Exchange. There had been no changes in the Company’s constitutional documents during the year ended 31st December, 2014.

Enquiries may be put to the Board through the Company Secretary at Rooms 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 85, which comprise the consolidated and company statements of financial position as at 31st December, 2014, and the 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 Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23rd March, 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations			
Revenue	5	417,590	109,479
Cost of sales		(386,860)	(96,621)
Gross profit		30,730	12,858
Other income	7	2,892	3,826
Other gain	8	162	—
Selling and distribution costs		(1,937)	—
Administrative expenses		(43,480)	(43,139)
Net gain on financial assets at fair value through profit or loss	9	279,066	19,054
Finance costs	10	(139)	—
Gain on disposal of subsidiaries	11	7,197	—
Profit (loss) before tax		274,491	(7,401)
Income tax expenses	12	(1,201)	(403)
Profit (loss) for the year from continuing operations	13	273,290	(7,804)
Discontinued operation			
Profit (loss) for the year from discontinued operation	14	106,529	(9,887)
Profit (loss) for the year		379,819	(17,691)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		541	(2,012)
Fair value changes on available-for-sale investments		996	1,494
Reclassification adjustments upon disposal of subsidiaries	11	(7,197)	—
Reclassification adjustments upon disposal of the Disposal Group	14	(7,904)	—
Other comprehensive expense for the year		(13,564)	(518)
Total comprehensive income (expense) for the year		366,255	(18,209)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2014

<i>Notes</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Profit (loss) for the year attributable to:		
Owners of the Company		
– Profit (loss) for the year from continuing operations	270,465	(5,473)
– Profit (loss) for the year from discontinued operation	106,529	(9,925)
	376,994	(15,398)
Non-controlling interests		
– Profit (loss) for the year from continuing operations	2,825	(2,331)
– Profit for the year from discontinued operation	—	38
	2,825	(2,293)
	379,819	(17,691)
Total comprehensive income (expense)		
for the year attributable to:		
Owners of the Company	363,430	(15,916)
Non-controlling interests	2,825	(2,293)
	366,255	(18,209)
Earnings (loss) per share attributable to owners of the Company 18		
From continuing and discontinued operations		
– Basic and diluted	HK8.06 cents	HK(0.36) cent
From continuing operations		
– Basic and diluted	HK5.78 cents	HK(0.13) cent

Consolidated Statement of Financial Position

At 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	19	3,989	11,009
Prepaid lease payments	20	2,867	12,300
Loan receivables	22	—	32,840
Club debentures	23	825	825
Available-for-sale investments	24	155,782	2,786
Deposit for acquisition of property, plant and equipment		73	—
Total non-current assets		163,536	59,760
Current assets			
Inventories	25	552	17,043
Trade and other receivables	26	64,916	20,922
Prepaid lease payments	20	99	318
Loan receivables	22	3,036	96,464
Financial assets at fair value through profit or loss	27	737,686	393,077
Bank balances and cash	28	302,480	180,059
Total current assets		1,108,769	707,883
Current liabilities			
Trade and other payables	29	6,657	11,640
Deferred income		—	3,760
Amount due to non-controlling interests	30	—	24,495
Income tax payable		5,104	7,367
Other borrowings	31	—	111,740
Total current liabilities		11,761	159,002
Net current assets		1,097,008	548,881
Total assets less current liabilities		1,260,544	608,641
Non-current liability			
Deferred income		—	2,265
Net assets		1,260,544	606,376
Capital and reserves			
Share capital	32	1,505,032	369,918
Reserves		(245,359)	238,953
Equity attributable to owners of the Company		1,259,673	608,871
Non-controlling interests		871	(2,495)
Total equity		1,260,544	606,376

The consolidated financial statements on pages 27 to 85 are approved and authorised for issue by the Board of Directors on 23rd March, 2015 and are signed on its behalf by:

Or Ching Fai
Director

Sue Ka Lok
Director

Statement of Financial Position

At 31st December, 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	19	2,225	1,676
Prepaid lease payments	20	2,867	2,975
Club debentures	23	825	825
Total non-current assets		<u>5,917</u>	<u>5,476</u>
Current assets			
Prepaid lease payments	20	99	91
Amounts due from subsidiaries	21	1,068,417	648,341
Other receivables, deposits and prepayments		2,053	2,741
Bank balances and cash	28	47,281	25,962
Total current assets		<u>1,117,850</u>	<u>677,135</u>
Current liabilities			
Accrued charges and other payables		4,915	7,541
Amounts due to subsidiaries	21	4,562	26,130
Total current liabilities		<u>9,477</u>	<u>33,671</u>
Net current assets		<u>1,108,373</u>	<u>643,464</u>
Total assets less current liabilities		<u>1,114,290</u>	<u>648,940</u>
Capital and reserves			
Share capital	32	1,505,032	369,918
Reserves	33	(390,742)	279,022
Total equity		<u>1,114,290</u>	<u>648,940</u>

The statement of financial position of the Company on page 30 is approved and authorised for issue by the Board of Directors on 23rd March, 2015 and are signed on its behalf by:

Or Ching Fai
Director

Sue Ka Lok
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Special capital reserve (Note (i))	Capital redemption reserve	Investment revaluation reserve	Exchange reserve	Other non-distributable reserve	Accumulated losses	Sub-total	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
At 1st January, 2013	369,918	846,242	1,267	233	3,451	9,375	1,943	(607,642)	624,787	(207)	624,580
Loss for the year	—	—	—	—	—	—	—	(15,398)	(15,398)	(2,293)	(17,691)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(2,012)	—	—	(2,012)	—	(2,012)
Fair value changes of available-for-sale investments	—	—	—	—	1,494	—	—	—	1,494	—	1,494
Total comprehensive income (expense) for the year	—	—	—	—	1,494	(2,012)	—	(15,398)	(15,916)	(2,293)	(18,209)
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	5	5
At 31st December, 2013	369,918	846,242	1,267	233	4,945	7,363	1,943	(623,040)	608,871	(2,495)	606,376
Profit for the year	—	—	—	—	—	—	—	376,994	376,994	2,825	379,819
Exchange differences arising on translation of foreign operations	—	—	—	—	—	541	—	—	541	—	541
Fair value changes of available-for-sale investments	—	—	—	—	996	—	—	—	996	—	996
Reclassification to profit or loss upon disposal of subsidiaries (note 11)	—	—	—	—	(5,254)	—	(1,943)	—	(7,197)	—	(7,197)
Reclassification to profit or loss upon disposal of the Disposal Group (note 14)	—	—	—	—	—	(7,904)	—	—	(7,904)	—	(7,904)
Total comprehensive income (expense) for the year	—	—	—	—	(4,258)	(7,363)	(1,943)	376,994	363,430	2,825	366,255
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note (iii))	847,742	(846,242)	(1,267)	(233)	—	—	—	—	—	—	—
Disposal of the Disposal Group (note 14)	—	—	—	—	—	—	—	—	—	541	541
Issue of shares (note 32)	295,927	—	—	—	—	—	—	—	295,927	—	295,927
Transaction costs attributable to issue of shares (note 32)	(8,555)	—	—	—	—	—	—	—	(8,555)	—	(8,555)
At 31st December, 2014	1,505,032	—	—	—	687	—	—	(246,046)	1,259,673	871	1,260,544

Notes:

- (i) The special capital reserve of the Group represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.
- (ii) Par value of the Company's shares is retired and the relevant concepts of nominal value, share premium, special capital reserve and capital redemption reserve are abolished upon the commencement of the new Hong Kong Companies Ordinance on 3rd March, 2014.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000 (Restated)
Cash flows from operating activities			
Profit (loss) for the year		379,819	(17,691)
Adjustments for:			
Finance costs		2,956	7,874
Interest income		(401)	(3,226)
Depreciation of property, plant and equipment		962	2,018
Gain on disposal of subsidiaries	11	(7,197)	—
Gain on disposal of the Disposal Group	14	(110,571)	—
Amortisation of prepaid lease payments		156	318
Net unrealised gain on financial assets at fair value through profit or loss	9	(290,845)	(8,583)
Income tax expenses		1,201	403
Operating cash flows before movements in working capital		(23,920)	(18,887)
Decrease (increase) in inventories		16,491	(14,422)
Increase in trade and other receivables		(44,833)	(3,352)
Decrease (increase) in loan receivables		126,268	(129,304)
(Increase) decrease in financial assets at fair value through profit or loss		(57,174)	85,276
Increase (decrease) in trade and other payables		3,045	(8,271)
(Decrease) increase in deferred income		(6,025)	6,025
Net cash inflow (outflow) from operating activities		13,852	(82,935)
Cash flows from investing activities			
Net cash outflow from disposal of subsidiaries	11	(426)	—
Net cash inflow from disposal of the Disposal Group	14	3,557	—
Interest received		401	3,226
Increase in available-for-sale investment		(155,095)	—
Purchase of property, plant and equipment		(2,533)	—
Deposit for purchase of property, plant and equipment		(73)	—
Net cash (outflow) inflow from investing activities		(154,169)	3,226
Cash flows from financing activities			
Proceeds from issue of shares	32	295,927	—
Transaction costs attributable to issue of shares	32	(8,555)	—
(Decrease) increase in amount due to non-controlling interests		(24,495)	24,495
Interest paid		(139)	(3,136)
New loan raised		—	107,002
Capital injection from non-controlling interests		—	5
Repayment of bank and other borrowings		—	(112,164)
Net cash inflow from financing activities		262,738	16,202
Net increase (decrease) in cash and cash equivalents		122,421	(63,507)
Cash and cash equivalents at the beginning of the year		180,059	243,557
Effect of foreign exchange rate changes		—	9
Cash and cash equivalents at the end of the year, represented by bank balances and cash		302,480	180,059

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

1. GENERAL INFORMATION

China Strategic Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is disclosed in the Corporation Information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

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

In the current year, the Company and its subsidiaries (the "Group") have applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new and revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1st January, 2014. A summary of the new and revised HKFRSs are set out as below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

The application of the new and revised HKFRSs in the current year has had 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised HKFRSs in issue 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:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁴
Amendments to HKAS 1	Disclosure initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁴
Amendments to HKAS 19	Defined benefit plans: Employee contributions ³
Amendments to HKAS 27	Equity method in separate financial statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investments entities: Applying the consolidation exception ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle ⁴

¹ Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial instruments” (continued)

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 value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial instruments” (continued)

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material 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. Changes in fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 36.

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 a material 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.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which 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.

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

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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 the Group's equity therein.

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.

Investments in subsidiaries

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of goods

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Arrangement fee

Arrangement fee income on loan receivables is deferred and recognised as an adjustment to the effective interest rate on the loan receivables.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress 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. Cost includes 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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 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.

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 an 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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 a 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 purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using the exchange rates prevailing at the end of each reporting year. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of 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.

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.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 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 rate (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 recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax for the year

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

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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the three categories, including loans and receivables, available-for-sale ("AFS") financial assets and financial assets at fair value through profit or loss ("FVTPL"). 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivables, bank balances and cash and amounts due from subsidiaries of the Company) are carried at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate.

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 investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

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

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 (see the accounting policy in respect of impairment of financial assets below).

Financial assets at FVTPL

Financial assets are classified as at FVTPL when financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments recognition and measurement" permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 36.

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 where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For 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.

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 default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and bill receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of 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 (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a 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.

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade and other payables, other borrowings, amount due to non-controlling interests and amounts due to subsidiaries of the Company) are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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 asset 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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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.

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.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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.

Equity-settled share-based payment transactions

Share options granted to employees and directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full when the share options granted vest immediately, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, 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.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. 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 retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Impairment loss on inventories

Inventories are stated at the lower of cost and net realisable value. The estimated net realisable value was arrived based on the management's consideration of obsolete or physically damaged items, life span of inventories, handling and other selling costs. If the estimated net realisable value is lower than cost, a write-down on inventories is recognised in profit or loss. As at 31st December, 2014, the carrying amount of inventories net of accumulated impairment loss is HK\$552,000 (2013: HK\$17,043,000).

Impairment loss on loan receivables

Management regularly reviews the recoverability of the loan receivables. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loan receivables that are unlikely to be collected and is recognised on the difference between the carrying amount of loan receivables and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amount of loan receivables net of accumulated impairment loss is HK\$3,036,000 (2013: HK\$129,304,000).

Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of amounts based on management's estimate. In determining whether impairment loss is required, the Group takes into consideration the likelihood of collection of debts on an individual basis as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. As at 31st December, 2014, the carrying amount of trade receivables net of allowance for doubtful debts is HK\$10,649,000 (2013: HK\$8,050,000).

Fair value of financial assets and valuation process

As described in note 36(d), the directors of the Company use their judgment in selecting an appropriate valuation technique for financial assets not quoted in an active market. The fair value of convertible notes investment and bond investment containing term extension option is estimated respectively based on option pricing model and discounted cash flow analysis with assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. There was no unlisted debt security as at 31st December, 2014 (2013: HK\$8,205,000). The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

5. REVENUE

As analysis of the Group's revenue for the year from continuing operations is as follows:

	2014 HK\$'000	2013 HK\$'000 (Restated)
Trading of metal minerals	357,612	86,088
Sales of electronic components	36,383	13,185
Dividend income from securities investments (<i>Note</i>)	16,301	8,728
Arrangement fee income from money lending business	5,656	944
Interest income from money lending business	1,638	534
	417,590	109,479

Note: The amount represents the dividend income from securities investments, which was classified as other income in prior year. During the year, the management of the Group reclassified such amount from the other income to the revenue for the purpose of resource allocation and performance assessment for the segment of investment in securities stated below in note 6.

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker ("CODM") representing the Board, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's reportable and operating segments under HKFRS 8 are as follows:

1. Investment in securities
2. Trading of metal minerals and electronic components
3. Money lending

Since the CODM considered the reportable and operating segments of sales of electronic components is similar to those nature of trading of metal minerals, the CODM combined these two reportable and operating segments during the year for better resources allocation.

During the year, the Group disposed of its battery products business, which was engaged in the manufacturing and trading of battery products and related accessories. The battery products segment was classified as discontinued operation as described in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31st December, 2014

	Continuing operations			Sub-total HK\$'000	Discontinued operation	Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000		Battery products HK\$'000	
Segment revenue						
External sales	<u>16,301</u>	<u>393,995</u>	<u>7,294</u>	<u>417,590</u>	<u>700</u>	<u>418,290</u>
Results						
Segment results	<u>294,794</u>	<u>6,279</u>	<u>7,684</u>	<u>308,757</u>	<u>(1,225)</u>	<u>307,532</u>
Gain on disposal of subsidiaries (note 11)				7,197	—	7,197
Other income				252	—	252
Central administrative expenses				(41,576)	—	(41,576)
Finance costs				(139)	(2,817)	(2,956)
Profit (loss) before tax				<u>274,491</u>	<u>(4,042)</u>	<u>270,449</u>
Income tax expenses				(1,201)	—	(1,201)
Profit (loss) after tax				<u>273,290</u>	<u>(4,042)</u>	<u>269,248</u>
Gain on disposal of the Disposal Group (note 14)				—	110,571	110,571
Profit for the year				<u>273,290</u>	<u>106,529</u>	<u>379,819</u>
Other segment information						
Depreciation of property, plant and equipment	274	6	7	<u>287</u>	<u>675</u>	<u>962</u>
Net gain on financial assets at fair value through profit or loss	<u>279,066</u>	—	—	<u>279,066</u>	—	<u>279,066</u>
Amortisation of prepaid lease payments	100	—	—	<u>100</u>	<u>56</u>	<u>156</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31st December, 2013

	Continuing operations			Sub-total HK\$'000	Discontinued operation	Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000		Battery products HK\$'000	
Segment revenue						
External sales	8,728	99,273	1,478	109,479	3,337	112,816
Results						
Segment results	30,645	2,652	1,275	34,572	(2,013)	32,559
Other income				152	—	152
Central administrative expenses				(42,125)	—	(42,125)
Finance costs				—	(7,874)	(7,874)
Loss before tax				(7,401)	(9,887)	(17,288)
Income tax expenses				(403)	—	(403)
Loss after tax				(7,804)	(9,887)	(17,691)
Other segment information						
Depreciation of property, plant and equipment	543	70	66	679	1,339	2,018
Net gain on financial assets at fair value through profit or loss	19,054	—	—	19,054	—	19,054
Amortisation of prepaid lease payments	91	—	—	91	227	318

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly provided to the CODM, the measure of total assets and liabilities for each reportable and operating segment is not presented.

Revenue from major products and services

The Group's revenue is arising from investment in securities, trading and money lending businesses.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") and Hong Kong.

Information about the Group's revenue from external customers by geographical location of the customers from continuing operations is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	Year ended 31st December,		As at 31st December,	
	2014 HK\$'000	2013 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000
The PRC	343,314	3,682	—	18,590
Hong Kong	74,276	105,797	7,754	5,544
	417,590	109,479	7,754	24,134

Note: Non-current assets excluded loan receivables and available-for-sale investments.

Information about major customers

Revenue from 2 customers (2013: 3 customers) of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	For the year ended 31st December,	
	2014 HK\$'000	2013 HK\$'000
Customer A ¹	215,853	—
Customer B ¹	61,185	—
Customer C ¹	—	31,604
Customer D ¹	—	28,115
Customer E ¹	—	25,124

¹ Revenue from customers of trading business.

All of the revenue from continuing operations is generated from investment in securities, trading and money lending businesses for both years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

7. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Continuing operations		
Service charge from customers and suppliers	1,000	—
Gain on disposal of loan receivables	805	—
Bank interest income	401	702
Coupon interest from unlisted debt securities held for trading	—	2,523
Others	686	601
	<u>2,892</u>	<u>3,826</u>

8. OTHER GAIN

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Continuing operations		
Exchange gain, net	<u>162</u>	<u>—</u>

9. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Net unrealised gain on financial assets at FVTPL	290,845	8,583
Net realised (loss) gain on sales of financial asset at FVTPL	(11,779)	10,471
	<u>279,066</u>	<u>19,054</u>

10. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Continuing operations		
Interest on borrowings wholly repayable within five years:		
Bank borrowings	<u>139</u>	<u>—</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

11. GAIN ON DISPOSAL OF SUBSIDIARIES

On 4th September, 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of and shareholder's loan to certain subsidiaries which were mainly engaged in investment in securities. The disposal was completed on the same date.

The net assets of the subsidiaries being disposed of at the date of disposal was determined as follows:

	<i>HK\$'000</i>
Available-for-sale investments	3,095
Financial assets at FVTPL	3,410
Other receivables	139
Bank balances and cash	439
Other payables	(7,070)
Net assets disposed of	13
Release of cumulative investment revaluation reserve and other non-distributable reserve upon disposal of subsidiaries	(7,197)
Gain on disposal of subsidiaries	7,197
Net proceeds received from disposal of subsidiaries	13
Satisfied by:	
Cash consideration	13
Net cash outflow from disposal of subsidiaries:	
Cash consideration received	13
Bank balances and cash disposed of	(439)
	(426)

12. INCOME TAX EXPENSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Tax charge comprises:		
Current tax		
- Hong Kong Profits Tax	1,217	403
Over provision in prior year		
- Hong Kong Profits Tax	(16)	—
Income tax recognised in profit or loss	1,201	403

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

12. INCOME TAX EXPENSES (continued)

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

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

	2014 HK\$'000	2013 <i>HK\$'000</i> (Restated)
Profit (loss) before tax	274,491	(7,401)
Tax at the domestic income tax rate of 16.5%	45,291	(1,221)
Tax effect of expenses not deductible for tax purpose	28	7,011
Tax effect of income not taxable for tax purpose	(51,710)	(5,443)
Over provision in prior year	(16)	—
Tax effect of tax loss not recognised	8,481	56
Effect of utilisation of tax losses previously not recognised	(873)	—
Income tax expenses for the year	1,201	403

As at 31st December, 2014, the Group and the Company have unused tax losses of approximately HK\$51,873,000 and HK\$475,000 respectively (2013: HK\$5,763,000 and HK\$5,735,000 respectively) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

13. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

Profit (loss) for the year from continuing operations has been arrived at after charging the following items:

	2014 HK\$'000	2013 <i>HK\$'000</i> (Restated)
Staff costs		
- directors' emoluments (<i>note 15</i>)	17,130	21,268
- other staff salaries, wages and other benefits	4,929	2,743
- retirement benefit schemes contributions, excluding directors	219	186
Total staff costs	22,278	24,197
Auditor's remuneration	1,367	1,180
Depreciation of property, plant and equipment	287	679
Amortisation of prepaid lease payments	100	91
Cost of inventories recognised as expense	386,860	96,621

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

14. DISCONTINUED OPERATION

During the year, the Group entered into a sale and purchase agreement to dispose of the entire equity interest of and shareholder's loan to certain subsidiaries (the "Disposal Group") to an independent third party at an aggregate cash consideration of HK\$5,000,000. The Disposal Group was mainly engaged in manufacturing and trading of battery products and related accessories. The disposal was completed on 8th May, 2014, on which date the Group lost control of the Disposal Group. Accordingly, the disposed battery products operation is presented as discontinued operation.

The profit (loss) for the year from discontinued operation is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	700	3,337
Cost of sales	(945)	(3,253)
Other income	339	16
Other gain	—	2,680
Selling and distribution cost	—	(57)
Administrative expenses	(1,319)	(4,736)
Finance costs	(2,817)	(7,874)
Loss for the year	(4,042)	(9,887)
Gain on disposal of the Disposal Group	110,571	—
Profit (loss) for the year from discontinued operation	106,529	(9,887)

Profit (loss) for the year from discontinued operation has been arrived at after charging the following items:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Staff costs		
- other staff salaries, wages and other benefits	—	195
Depreciation of property, plant and equipment	675	1,339
Amortisation of prepaid lease payments	56	227
Cost of inventories recognised as expenses	945	3,253
Cash flow from discontinued operation		
Net cash (used in) from operating activities	(1,318)	9,503
Net cash used in financing activities	—	(8,188)
Net cash (outflows) inflows	(1,318)	1,315

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

14. DISCONTINUED OPERATION (continued)

The net liabilities of the Disposal Group at the date of disposal was determined as follows:

	<i>HK\$'000</i>
Property, plant and equipment	7,414
Prepaid lease payments	9,298
Trade receivables	700
Bank balances and cash	1,443
Other payables	(2,506)
Other borrowings	(114,557)
Net liabilities disposed of	(98,208)
Non-controlling interests	541
Release of cumulative exchange reserve upon disposal of the Disposal Group	(7,904)
Gain on disposal of the Disposal Group	110,571
Net proceeds received from disposal of the Disposal Group	<u>5,000</u>
Satisfied by:	
Cash consideration	<u>5,000</u>
Net cash inflow arising from disposal of the Disposal Group:	
Cash consideration received	5,000
Bank balances and cash disposed of	(1,443)
	<u>3,557</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine (2013: nine) directors were as follows:

Notes	2014					2013				
	Fee	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonus	Total	Fee	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonus	Total
Executive directors										
- Dr. Or Ching Fai	—	10,400	17	3,000	13,417	—	10,400	15	6,000	16,415
- Mr. Hui Richard Rui	—	780	17	—	797	—	780	15	—	795
- Mr. Chow Kam Wah	—	1,040	17	300	1,357	—	995	15	300	1,310
- Mr. Sue Ka Lok (i)	—	124	—	—	124	—	—	—	—	—
- Ms. Chiu Ching Ching (ii)	—	120	6	—	126	—	260	12	—	272
- Ms. Chan Ling, Eva (iii)	—	903	6	—	909	—	1,800	15	—	1,815
- Mr. Yau Wing Yiu (iv)	—	—	—	—	—	—	260	1	—	261
	—	13,367	63	3,300	16,730	—	14,495	73	6,300	20,868
Independent non-executive directors										
- Ms. Ma Yin Fan	150	—	—	—	150	150	—	—	—	150
- Mr. Chow Yu Chun, Alexander	150	—	—	—	150	150	—	—	—	150
- Mr. Leung Hoi Ying	100	—	—	—	100	100	—	—	—	100
	400	—	—	—	400	400	—	—	—	400
Total	400	13,367	63	3,300	17,130	400	14,495	73	6,300	21,268

The discretionary bonus is at the discretion of the Board of Directors and determined with reference to the director's performance and the Group's performance for the year.

Dr. Or Ching Fai is also the Chairman and the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman and the Chief Executive Officer.

Notes:

- (i) Appointed on 1st December, 2014
- (ii) Retired on 20th June, 2014
- (iii) Resigned on 1st June, 2014
- (iv) Resigned on 1st February, 2013

During the year, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for the year ended 31st December, 2014.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: four) of them were executive directors of the Company whose emoluments are included in note 15 above. The emolument of the remaining one (2013: one) individual was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and other benefits	486	444
Retirement benefit scheme contributions	17	15
	<u>503</u>	<u>459</u>

The emolument was within the following band:

	Number of individuals	
	2014	2013
Nil - HK\$1,000,000	<u>1</u>	<u>1</u>

17. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting periods.

18. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings (loss) per share	<u>376,994</u>	<u>(15,398)</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

18. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

From continuing and discontinued operations (continued)

	2014 '000	2013 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share (<i>Note</i>)	<u>4,677,329</u>	<u>4,329,265</u>

Note: The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (loss) per share for the year has been retrospectively adjusted for the effect of the rights issue completed in December 2014.

From continuing operations

	2014 HK\$'000	2013 HK\$'000 (Restated)
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company from continuing operations for the purpose of calculating basic and diluted earnings (loss) per share	<u>270,465</u>	<u>(5,473)</u>

	2014 '000	2013 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share (<i>Note</i>)	<u>4,677,329</u>	<u>4,329,265</u>

Note: The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (loss) per share for the year has been retrospectively adjusted for the effect of the rights issue completed in December 2014.

From discontinued operation

Basic earnings per share from discontinued operation is HK2.28 cents (2013: basic loss per share of HK0.23 cent), calculated based on the profit for the year attributable to owners of the Company from discontinued operation of HK\$106,529,000 (2013: loss of HK\$9,925,000) and the denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

No diluted earnings (loss) per share is presented for the year ended 31st December, 2014 and 2013 as there are no dilutive potential ordinary shares in existence for both years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

19. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1st January, 2013	68,120	25,060	8,414	166,511	1,574	3,086	272,765
Exchange realignment	1,937	713	239	4,735	24	88	7,736
Disposals	—	—	(150)	—	(792)	—	(942)
At 31st December, 2013	70,057	25,773	8,503	171,246	806	3,174	279,559
Exchange realignment	(1,165)	(222)	(63)	(1,314)	(1)	(27)	(2,792)
Addition	—	—	636	129	1,768	—	2,533
Disposal of the Disposal Group (note 14)	(66,767)	(24,403)	(5,186)	(168,958)	(805)	(3,147)	(269,266)
Disposals	—	(1,148)	—	(887)	—	—	(2,035)
At 31st December, 2014	2,125	—	3,890	216	1,768	—	7,999
Accumulated depreciation and impairment							
At 1st January, 2013	57,506	25,060	6,457	166,511	1,367	3,086	259,987
Exchange realignment	1,680	713	247	4,735	24	88	7,487
Provided for the year	1,432	—	447	—	139	—	2,018
Eliminated on disposals	—	—	(150)	—	(792)	—	(942)
At 31st December, 2013	60,618	25,773	7,001	171,246	738	3,174	268,550
Exchange realignment	(34)	(222)	(3)	(1,328)	(1)	(27)	(1,615)
Provided for the year	576	—	264	7	115	—	962
Eliminated on disposal of the Disposal Group (note 14)	(60,229)	(24,403)	(4,310)	(168,958)	(805)	(3,147)	(261,852)
Eliminated on disposals	—	(1,148)	—	(887)	—	—	(2,035)
At 31st December, 2014	931	—	2,952	80	47	—	4,010
Carrying values							
At 31st December, 2014	1,194	—	938	136	1,721	—	3,989
At 31st December, 2013	9,439	—	1,502	—	68	—	11,009

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For the year ended 31st December, 2014

19. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1st January 2013 and 31st December, 2013	2,125	4,402	973	7,500
Additions	—	636	86	722
Write off	—	(1,148)	(886)	(2,034)
At 31st December, 2014	2,125	3,890	173	6,188
Accumulated depreciation and impairment				
At 1st January, 2013	793	3,539	952	5,284
Provided for the year	69	464	7	540
At 31st December, 2013	862	4,003	959	5,824
Provided for the year	69	97	7	173
Write off	—	(1,148)	(886)	(2,034)
At 31st December, 2014	931	2,952	80	3,963
Carrying values				
At 31st December, 2014	1,194	938	93	2,225
At 31st December, 2013	1,263	399	14	1,676

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

Buildings	Over the shorter of the term of the lease of 40-50 years or 2.5%
Leasehold improvements	Over the shorter of the term of the lease of 40-50 years or 5% - 10%
Furniture and fixtures	5% - 25%
Machinery and equipment	10% - 20%
Motor vehicles	12.5% - 25%

At 31st December, 2014 and 2013, the buildings of the Group and the Company are situated on land in the PRC under medium-term land use right.

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For the year ended 31st December, 2014

20. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Analysed for reporting purpose as:				
Current asset	99	318	99	91
Non-current asset	2,867	12,300	2,867	2,975
	<u>2,966</u>	<u>12,618</u>	<u>2,966</u>	<u>3,066</u>

The Group's and the Company's prepaid lease payments represent payments for land use rights in the PRC under medium-term land use rights.

21. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts due from (to) subsidiaries are unsecured and repayable on demand. Except for the amounts due from subsidiaries of approximately HK\$871,253,000 (2013: nil) which carries interest of 2.4% per annum, the remaining balances are interest-free.

Before making any advances to any subsidiaries, the Company assesses the subsidiaries' credit quality and defines its credit limit. Operating funds are advanced to subsidiaries with appropriate credit history. Credit limit attributed to subsidiaries are reviewed regularly.

At the end of each reporting period, the Company reviews the carrying amounts of the investment in subsidiaries and amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss.

The recoverable amounts of investments in subsidiaries and amounts due from subsidiaries have been determined based on the present value of the future cash flows expected to be derived from the subsidiaries, taking into account their subsequent recovery. As at 31st December, 2014, there was no cumulative impairment loss on investment in subsidiaries (2013: HK\$135,465,000).

As at 31st December, 2014 and 2013, the amounts due from subsidiaries amounted to HK\$1,068,417,000 and HK\$648,341,000 (net of impairment loss of HK\$890,656,000) respectively. During the year ended 31st December 2014, the management of the Group carried out certain treasury management exercises on the amount due from subsidiaries, as a result the carrying amounts of the amounts due from subsidiaries were increased to the revised estimate of its recoverable amounts, and the impairment loss of HK\$152,062,000 previously made was reversed accordingly and recognised as income. In addition, there were certain subsidiaries being disposed of (notes 11 and 14) during the year and therefore the relevant impairment losses of HK\$738,594,000 previously made was derecognised during the year.

The principal activities of the principal subsidiaries are set out in note 42.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

22. LOAN RECEIVABLES

	The Group	
	2014 HK\$'000	2013 HK\$'000
Fixed-rate loan receivables	3,036	129,304
Analysed as:		
Current portion	3,036	96,464
Non-current portion	—	32,840
	3,036	129,304

During the year ended 31st December 2014, the range of interest rate on the Group's loan receivables are 0.81% to 18% per annum (2013: 0.81% to 10.25% per annum).

No collateral agreements have been entered into in respect of the loan receivables.

Before granting loans to outsiders, the Group use internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

No loan receivable is past due but not impaired. All outstanding loan receivables are fully settled after the year ended 31st December, 2014.

23. CLUB DEBENTURES

The Group and the Company

The club debentures represent the club membership of Macau Golf & Country Club and Aberdeen Marina Club. The directors are of opinion that it is not necessary to make any impairment on the club debentures since the quoted prices are higher than their carrying values.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	The Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed investments, at fair value:		
- Equity securities listed in Hong Kong	155,782	2,786

During the year ended 31st December, 2014, the Group invested about HK\$155,095,000 to subscribe for 20,310,500 H shares of Shengjing Bank Co., Ltd., a commercial bank in the PRC and listed on the Stock Exchange, as long term investment.

At the end of the reporting period, available-for-sale investments are stated at fair values, which have been determined with reference to closing prices quoted in active markets.

25. INVENTORIES

	The Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Electronic components	552	548
Metal minerals	—	15,550
Battery products and related accessories	—	945
	552	17,043

26. TRADE AND OTHER RECEIVABLES

	The Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	10,649	8,050
Less: Allowance for doubtful debts	—	—
	10,649	8,050
Bill receivables	32,096	—
Payment for subscription of listed securities	12,652	—
Other receivables	9,519	12,872
	64,916	20,922

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

26. TRADE AND OTHER RECEIVABLES (continued)

The Group normally allows credit period for trade customers ranging from 30 days to 180 days. The following is an aged analysis of trade and bill receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	The Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 - 90 days	<u>42,745</u>	<u>8,050</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limit. Credit sales are made to customers with appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting periods, the directors considered the trade and bill receivables which were neither past due nor impaired related to customers were of good credit quality.

Included in other receivables are unrestricted deposits of approximately HK\$3,710,000 (2013: HK\$8,670,000) placed with securities brokers for trading securities in Hong Kong. The remaining balance of other receivables represents mainly prepayment and deposit for office use.

The amounts of the Group's trade and other receivables denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
United States dollars ("US\$")	<u>42,745</u>	<u>8,050</u>

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed securities held for trading, at fair value:		
Equity securities listed (<i>Note (i)</i>)		
- in Hong Kong	737,686	377,833
- overseas	—	7,039
Unlisted debt securities designated as financial assets at FVTPL:		
Convertible notes issued by a Hong Kong listed issuer (<i>Note (ii)</i>)	—	8,205
	<u>737,686</u>	<u>393,077</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (i) The fair value was based on the quoted prices of the respective securities in active markets.
- (ii) During the year ended 31st December, 2011, the Group acquired convertible notes of principal amount HK\$10,000,000 issued by a Hong Kong listed issuer (the "Convertible Notes"). The Convertible Notes carried 5% coupon rate and was mature on 12th October, 2014. The Group had the right, at any time following the date of issue of the Convertible Notes until the date falling 7 days before (and excluding) the maturity date, to convert the whole principal amount of the Convertible Notes into its ordinary shares at the conversion price of HK\$1.00, by giving prior written notice to the issuer.

The issuer had the right at any time from the date of issue of the Convertible Notes and inclusive of the maturity date to redeem the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the aggregate outstanding principal amount of the Convertible Notes at the principal amount outstanding plus any interest accrued at the redemption date, unless a conversion notice had previously been given by the Group to the issuer in accordance with the terms and conditions of the Convertible Notes.

During the year ended 31st December, 2014, the Group had converted the whole principal amount of the Convertible Notes into 10,000,000 ordinary shares of the issuer at the conversion price of HK\$1.00 per share and such shares are held by the Group as financial assets at FVTPL thereafter.

28. BANK BALANCES AND CASH

The Group and the Company

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group and the Company. The amounts carry interest ranging from 0.01% to 1.1% (2013: 0.01% to 1.3%) per annum.

The amounts of the Group's bank balances and cash denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2014 HK\$'000	2013 HK\$'000
US\$	<u>145,889</u>	<u>1,886</u>

29. TRADE AND OTHER PAYABLES

	The Group	
	2014 HK\$'000	2013 HK\$'000
Trade payables	7	40
Accrued charges and other payables	<u>6,650</u>	<u>11,600</u>
	<u>6,657</u>	<u>11,640</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

29. TRADE AND OTHER PAYABLES (continued)

Included in trade and other payables are trade payables of HK\$7,000 (2013: HK\$40,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	The Group	
	2014 HK\$'000	2013 HK\$'000
0 - 90 days	<u>7</u>	<u>40</u>

The average credit period is 30 days for both years.

As at 31st December, 2013, other payables included balances payable to a securities broker of HK\$1,261,000 for acquisition of financial assets at fair value through profit or loss. There was no such balance as at 31st December, 2014.

30. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due to non-controlling interests was unsecured, non-interest bearing and repayable on demand.

During the year, the amount was fully repaid.

31. OTHER BORROWINGS

	The Group	
	2014 HK\$'000	2013 HK\$'000
Unsecured other borrowings repayable within one year	<u>—</u>	<u>111,740</u>

During the year ended 31st December, 2013, the Group had borrowings with a total principal amount of HK\$107,002,000 plus interest of HK\$4,738,000 payable to independent third parties. The borrowing with principal amount of HK\$52,715,000 carried interest at Hong Kong Prime Rate plus 2% per annum. Effective interest rate for this borrowing was 7% per annum. The borrowing with principal amount of HK\$54,287,000 carried interest at Hong Kong Prime Rate plus 3% per annum. Effective interest rate for this borrowing was 8% per annum. These borrowings were unsecured and repayable within one year.

During the year, the Group disposed of the unsecured other borrowings through the disposal of the Disposal Group (note 14).

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For the year ended 31st December, 2014

32. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1st January, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.1 each	200,000,000	20,000,000
At 31st December, 2014 (Note)	N/A	N/A
Issued and fully paid:		
At 1st January, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.1 each	3,699,184	369,918
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	—	847,742
Issue of shares	2,959,292	295,927
Transaction costs attributable to issue of shares	—	(8,555)
At 31st December, 2014	6,658,476	1,505,032

Note: Par value of the Company's shares is retired and the relevant concepts of nominal value, share premium, special capital reserve and capital redemption reserve are abolished upon the commencement of the new Hong Kong Companies Ordinance on 3rd March, 2014.

On 5th September, 2014, the Company completed a placing of 739,800,000 new shares under the general mandate at a placing price of HK\$0.16 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK\$3,059,000, were approximately HK\$115,309,000. Details of which are set out in the announcement of the Company dated 19th August, 2014.

On 15th December, 2014, the Company completed an issue and allotment of 2,219,491,963 rights shares at an issue price of HK\$0.08 per rights share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$5,496,000, were approximately HK\$172,063,000. Details of which are set out in the prospectus of the Company dated 20th November, 2014.

All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

33. RESERVES OF THE COMPANY

	Share premium HK\$'000	Special capital reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2013	846,242	1,267	233	(536,514)	311,228
Loss for the year and total comprehensive expense for the year	—	—	—	(32,206)	(32,206)
At 31st December, 2013	846,242	1,267	233	(568,720)	279,022
Profit for the year and total comprehensive income for the year	—	—	—	177,978	177,978
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (<i>note 32</i>)	(846,242)	(1,267)	(233)	—	(847,742)
At 31st December, 2014	—	—	—	(390,742)	(390,742)

The special capital reserve of the Company represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

34. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 10 June 2011. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the Company and/or the subsidiaries of the Company. Eligible participants of the Share Option Scheme include any employee (whether full time or part time), executives or officers of the Company or any of the subsidiaries of the Company (including executive and non-executive directors of the Company) and any business consultants, agents, financial or legal advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of the subsidiaries of the Company. The offer of a grant of share options may be accepted until the 21st days inclusive of, and from, the date of grant, provided that no such offer shall be open for acceptance after the expiry of the period of ten years commencing on the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share option scheme (continued)

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a share (if any). The exercise period of the share options granted is determinable by the Board but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case maybe.

No share options has been granted under the Share Option Scheme since its adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 369,918,392 shares, representing 10% of the issued shares of the Company as at the date of adoption of the Share Option Scheme and representing approximately 5.56% of the issued shares of the Company as at the date of this annual report.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

35. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bank advances for discounted bills, amount due to non-controlling interests and other borrowings as disclosed in notes 30 and 31, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including bank and other borrowings. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising or repayment of borrowing.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<i>Financial assets</i>				
Loans and receivables (including cash and cash equivalents)	365,508	326,764	1,115,698	674,651
Available-for-sale investments	155,782	2,786	—	—
Fair value through profit or loss				
– Held for trading	737,686	384,872	—	—
– Designated at FVTPL	—	8,205	—	—
<i>Financial liabilities</i>				
Amortised cost	7	142,281	4,562	28,734

b. Statement of profit or loss and other comprehensive income

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<i>Financial assets at FVTPL</i>				
– Held for trading				
Fair value changes	255,871	17,920	—	—
– Designated at FVTPL				
Fair value changes	23,195	1,134	—	—

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For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk.

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.

Market risk

(i) Interest rate risk management

The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may enter any holding activities if the need arises.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings. It is the policy of the Group to keep its borrowings at floating rate of interests so as to minimise the interest rate risk. Sensitivity analysis was prepared, except for bank balances, since the directors consider the amount involved is not significant.

The exposures of the Group and the Company to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from other borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the other borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, profit for the year ended 31st December, 2014 of the Group would not decrease/increase (2013: loss increase/decrease by HK\$447,000) as a result of changes in interest rate of other borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

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For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Price risk management

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

The Group is also exposed to price risk through its investment in financial assets designated at FVTPL. The Group does not have any policy to hedge against such risk.

In management's opinion, the sensitivity analysis is unrepresentative of inherent equity price risks as the year end exposure does not reflect the exposure during the year.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% (2013: 10%) in the current year.

If the prices of the respective listed equity securities and unlisted debt securities had been 10% (2013: 10%) higher/lower:

- profit for the year ended 31st December, 2014 would increase/decrease by HK\$61,597,000 (2013: loss decrease/increase by HK\$32,137,000) as a result of the changes in fair value of listed equity securities;
- profit for the year ended 31st December, 2014 would not increase/decrease (2013: loss decrease/increase by HK\$686,000) as a result of changes in fair value of the unlisted debt security designated as financial assets at FVTPL; and
- total comprehensive income for the year ended 31st December, 2014 would increase/decrease by HK\$15,578,000 (2013: total comprehensive expense decrease/increase by HK\$279,000) as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to equity price risks has increased during the year mainly due to the increase in the investment in equity securities and AFS investments.

(iii) Foreign currency risk management

Most of the Group's transactions are denominated in the group entities' functional currency, which is either US\$, Renminbi ("RMB") or HK\$.

The Group is mainly exposed to foreign currency risk in relation to US\$ arising from foreign currency bank balances and cash and trade and other receivables.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Foreign currency risk management (continued)

The carrying amounts of the major foreign currency denominated monetary assets at the reporting date are as followings:

	Assets	
	2014 HK\$'000	2013 HK\$'000
US\$	<u>188,634</u>	<u>9,936</u>

Under the pegged exchange rate system, the financial impact on exchange difference between HK\$ and US\$ will be immaterial as most US\$ denominated monetary assets are held by group entities having HK\$ as their functional currency, and therefore no sensitivity analysis has been prepared.

However, the Group is exposed to foreign currency risk to the extent of intra-group loans when the subsidiaries (which have HKD as their functional currency) raised funding denominated in HKD for operations in the PRC which have RMB as their functional currency. The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis was prepared since the directors consider the amount involved is not significant.

Credit risk

As at 31st December, 2014, the maximum exposure of the Group and the Company to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from:

- the cash held in financial institutions; and
- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limit, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group and the Company is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has concentrations of credit risk comprising deposits placed at three (2013: three) financial institutions for the Group's investment in securities business of HK\$2,711,000 (2013: HK\$8,459,000) which represents, approximately 73% (2013: 97%) of the Group's deposit placed with securities brokers. The management considered the credit risk on such balances held at financial institutions is limited because they are with good reputation.

The Group has concentration of credit risk on its AFS investment as the entire equity interests held by the Group are issued by an independent third party. The management of the Group considers that the credit risk on the AFS investment in the equity interests held is limited as they were issued by a company which shares are listed on the Stock Exchange.

The Group invested in convertible notes issued by a Hong Kong listed issuer of HK\$8,205,000 during the year ended 31st December, 2013. The management considers the credit risk on such balance was limited because the management closely monitored financial position of the Hong Kong listed issuer.

The Group is exposed to credit risk in respect of its loan receivables. As at 31st December, 2014, the carrying amount of loan receivables net of accumulated impairment loss is HK\$3,036,000 (2013: HK\$129,304,000). The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of and the anticipated receipts for that individual account, at the end of the reporting period.

At 31st December, 2014, approximately 100% (2013: 63%) of the Group's trade receivables were due from three (2013: five) customers within the trading business in Hong Kong and the PRC. The management performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The experience in the collection of trade receivables falls within the expectation of the directors. The management currently is seeking new customers base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentrations of credit risk.

The credit risk of the Company on amounts due from subsidiaries is limited because the directors of the Company consider that the recoverable amount exceeds the carrying amount of amounts due from subsidiaries. The recoverable amounts of the amounts due from subsidiaries are determined based on the present value of the future cash flows expected to be derived from the subsidiaries.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than the above, the Group does not have other significant concentration of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of other borrowings.

The following tables detail the non-derivative financial assets and liabilities of the Group and the Company. For non-derivative financial assets, the table has been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. 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.

The Group

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31st December, 2014						
Non-derivative financial assets						
Loan and other receivables (including cash and cash equivalents)	0.2	327,051	38,457	—	365,508	365,508
Available-for-sale investment	—	155,782	—	—	155,782	155,782
Fair value through profit or loss – Held-for-trading	—	737,686	—	—	737,686	737,686
		<u>1,220,519</u>	<u>38,457</u>	<u>—</u>	<u>1,258,976</u>	<u>1,258,976</u>
Non-derivative financial liabilities						
Trade and other payables	—	7	—	—	7	7

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group (continued)

Liquidity tables (continued)

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31st December, 2013						
Non-derivative financial assets						
Loan and other receivables (including cash and cash equivalents)	2.1	326,764	—	—	326,764	326,764
Available-for-sale investments	—	2,786	—	—	2,786	2,786
Fair value through profit or loss						
– Held-for-trading	—	384,872	—	—	384,872	384,872
– Designated at FVTPL	—	8,205	—	—	8,205	8,205
		<u>722,627</u>	<u>—</u>	<u>—</u>	<u>722,627</u>	<u>722,627</u>
Non-derivative financial liabilities						
Trade and other payables	—	6,046	—	—	6,046	6,046
Other borrowings	7.5	—	—	115,357	115,357	111,740
		<u>6,046</u>	<u>—</u>	<u>115,357</u>	<u>121,403</u>	<u>117,786</u>

The cash flow of variable interest rate instruments is based on the rate outstanding at the end of the reporting period.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK\$'000	Over 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31st December, 2014					
Non-derivative financial assets					
Loan and other receivables (including cash and cash equivalents)	1.9	<u>1,115,698</u>	<u>—</u>	<u>1,115,698</u>	<u>1,115,698</u>
Non-derivative financial liabilities					
Amounts due to subsidiaries	—	<u>4,562</u>	<u>—</u>	<u>4,562</u>	<u>4,562</u>
As at 31st December, 2013					
Non-derivative financial assets					
Loan and other receivables (including cash and cash equivalents)	—	<u>674,651</u>	<u>—</u>	<u>674,651</u>	<u>674,651</u>
Non-derivative financial liabilities					
Other payables	—	2,604	—	2,604	2,604
Amounts due to subsidiaries	—	<u>26,130</u>	<u>—</u>	<u>26,130</u>	<u>26,130</u>
		<u>28,734</u>	<u>—</u>	<u>28,734</u>	<u>28,734</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

d. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how that fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31.12. 2014 HK\$'000	31.12.2013 HK\$'000			
1) Available-for-sale investments					
Listed equity securities	155,782	2,786	Level 1	Quoted bid prices in an active market	N/A
2) Listed securities held for trading					
Equity securities listed					
– in Hong Kong	737,686	377,833	Level 1	Quoted bid prices in an active market	N/A
– overseas	—	7,039			
3) Unlisted debt security designated as financial assets at FVTPL					
Convertible notes issued by a Hong Kong listed issuer	—	8,205	Level 3	Black-Scholes model with Trinominal Tree method The key inputs are stock price, conversion price, remaining time to maturity, risk-free rate, dividend yield and volatility	Volatility, estimated by using the historical daily volatility of six comparable companies at the valuation date, quoted from Bloomberg Dividend yield, estimated by the trailing 12-month dividend payout of the issuer

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. FINANCIAL INSTRUMENTS (continued)

d. Fair value measurements of financial instruments (continued)

Fair value hierarchy

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31st December, 2014				
Financial assets at FVTPL				
Listed equity securities	737,680	—	—	737,680
Available-for-sale				
Listed equity securities	155,782	—	—	155,782
As at 31st December, 2013				
Financial assets at FVTPL				
Listed equity securities	384,872	—	—	384,872
Unlisted convertible notes investment	—	—	8,205	8,205
Available-for-sale				
Listed equity securities	2,786	—	—	2,786

During the year, there was no transfer between Level 1 and Level 2. Transfer between Level 1 and Level 3 are addressed in the reconciliation of Level 3 below. The Group's policy is to recognise transfer into and out of fair value hierarchy level as of the date of event or change in circumstance that caused the transfer.

The fair values of the financial assets included in the level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted debt securities HK\$'000	Unlisted equity security HK\$'000	Unlisted convertible notes investment HK\$'000
At 1st January, 2013	34,800	54,600	7,071
Disposal	(29,400)	(54,600)	—
Change in fair value in profit or loss (Note)	(5,400)	—	1,134
At 31st December, 2013	—	—	8,205
Change in fair value in profit or loss (Note)	—	—	23,195
Converted into listed securities	—	—	(31,400)
At 31st December, 2014	—	—	—

Note: For the year ended 31st December, 2014, change in fair value of HK\$23,195,000 (2013: HK\$1,134,000) related to the unlisted convertible notes investment designated as at fair value through profit or loss is included in "Net gain on financial assets at fair value through profit or loss" in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

37. OPERATING LEASES

The Group as lessee

The Group made approximately HK\$8,775,000 (2013: HK\$8,519,000) minimum lease payments under operating leases during the year in respect of certain of its office premises.

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	8,232	8,351	—	8,201
In the second to fifth years, inclusive	8,082	—	—	—
	16,314	8,351	—	8,201

Operating lease payments represented rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for an average term of one to three years and rentals are fixed for an average of one to three years.

38. PLEDGE OF ASSETS

At 31st December, 2013, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK\$1,397,000 and HK\$2,358,000, respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. The margin loan of HK\$1,261,000 was utilised by the Group and there was no restriction on trading of these available-for-sale investments and financial assets at fair value through profit or loss.

No assets were pledged as at 31st December, 2014.

39. CAPITAL COMMITMENTS

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Commitments for the acquisition of a motor vehicle	654	—	—	—

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

40. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors who are also identified as members of key management during the years was as follows:

	2014 HK\$'000	2013 <i>HK\$'000</i>
Short-term benefits	17,067	21,195
Post-employment benefits	63	73
	17,130	21,268

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The employees in the Group's wholly-owned subsidiaries in the PRC were members of the state-sponsored pension scheme operated by the government in the PRC. The wholly owned subsidiaries were required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme was to make the required contributions under the scheme. The amount of contributions payable to the pension schemes were charged to the statement of profit or loss and other comprehensive income. During the year ended 31st December, 2014, all the PRC subsidiaries had been disposed of. No PRC subsidiary was held by the Group as at 31st December, 2014.

The total costs charged to the statement of profit or loss and other comprehensive income of approximately HK\$282,000 (2013: HK\$259,000) represented contributions payable to these schemes by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

42. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2014 are as follows:

Name	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company		Principal activities
				Direct	Indirect	
Rich Crown Investments Limited	Hong Kong	Ordinary	HK\$1	—	100	Investment in securities
Max Talent Investments Limited	Hong Kong	Ordinary	HK\$1	—	100	Trading of metal minerals and electronic components
First Pacific Finance Limited	Hong Kong	Ordinary	HK\$10,000	—	51	Money lending
Presitige Faith Finance Limited	Hong Kong	Ordinary	HK\$1	—	100	Money lending
Prospect Vantage Holdings Limited	British Virgin Islands	Ordinary	US\$1	—	100	Investment in securities
Guide Plus Investments Limited	Hong Kong	Ordinary	HK\$1	—	100	Investment in securities
China Strategic Metal and Minerals Limited	Hong Kong	Ordinary	HK\$1	—	100	Trading of metal minerals
China Strategic Management Limited	Hong Kong	Ordinary	HK\$1	—	100	Provision of management service

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

Five-Year Financial Summary

RESULTS

	2014 HK\$'000	For the year ended 31st December,			
		2013 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)
Continuing operations					
Revenue	417,590	109,479	—	—	—
Profit (loss) before taxation	274,491	(7,401)	(80,471)	(56,942)	(45,782)
Taxation	(1,201)	(403)	—	—	—
Profit (loss) for the year from continuing operations	273,290	(7,804)	(80,471)	(56,942)	(45,782)
Discontinued operation					
Profit (loss) for the year from discontinued operation	106,529	(9,887)	(10,230)	(13,525)	(12,895)
Profit (loss) for the year	379,819	(17,691)	(90,701)	(70,467)	(58,677)
Attributable to:					
Owners of the Company	376,994	(15,398)	(90,612)	(70,131)	(58,641)
Non-controlling interests	2,825	(2,293)	(89)	(336)	(36)
	379,819	(17,691)	(90,701)	(70,467)	(58,677)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2014 HK\$'000	As at 31st December,			
		2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Total assets	1,272,305	767,643	761,037	839,426	900,189
Total liabilities	(11,761)	(161,267)	(136,457)	(123,314)	(111,797)
	1,260,544	606,376	624,580	716,112	788,392
Equity attributable to owners of the Company	1,259,673	608,871	624,787	716,230	788,174
Non-controlling interests	871	(2,495)	(207)	(118)	218
	1,260,544	606,376	624,580	716,112	788,392

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