



Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733

2014

ANNUAL REPORT



CONTENTS

- 2** Corporate Information
- 3** Financial Highlights
- 4** Year in Review
- 6** Chairman's Statement
- 9** Biographical Details of Directors & Senior Management
- 12** Management Discussion and Analysis
- 16** Corporate Governance Report
- 25** Directors' Report
- 33** Independent Auditor's Report
- 34** Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 35** Consolidated Statement of Financial Position
- 36** Consolidated Statement of Changes in Equity
- 37** Consolidated Statement of Cash Flows
- 38** Notes to the Consolidated Financial Statements
- 88** Financial Summary

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung (*Chairman*)
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Independent Non-Executive Directors

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF THE NOMINATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen
Mr. FU Wai Chung
Mr. LO Yat Fung

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

9-10/F, One Bravo
1 Jinsui Road
Zhujiang New Town
Tianhe District
Guangzhou
PRC

PLACE OF BUSINESS IN HONG KONG

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
4/F, 5/F & 1602, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Room 358, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

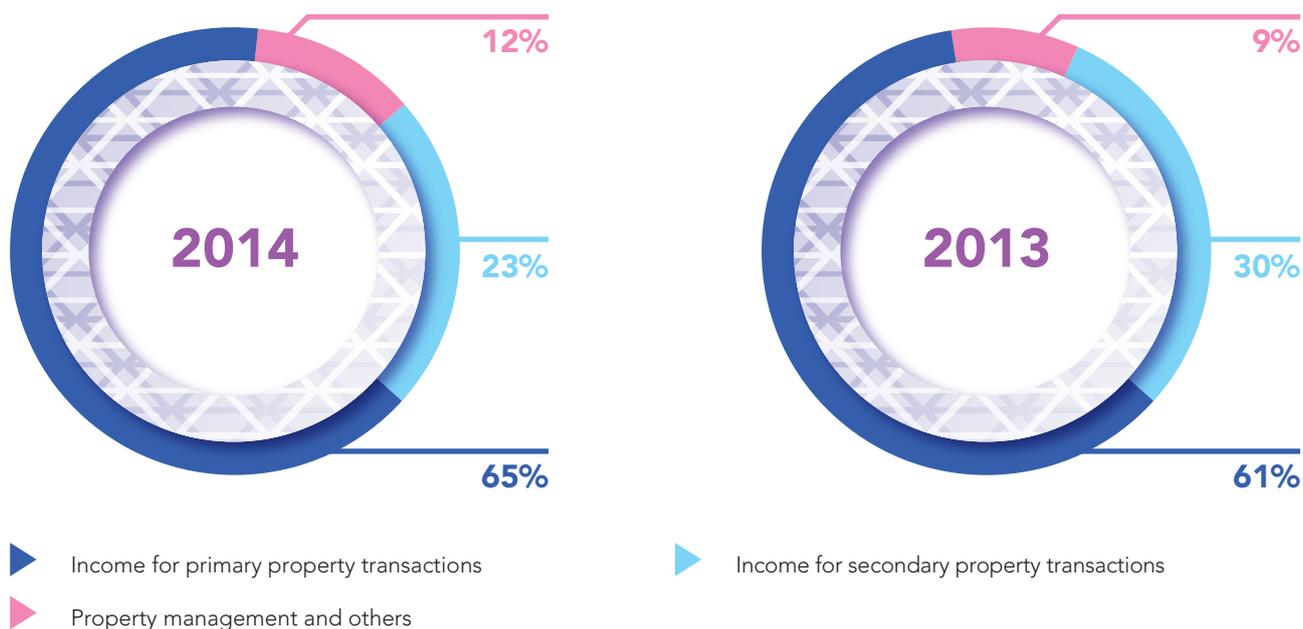
733

WEBSITE

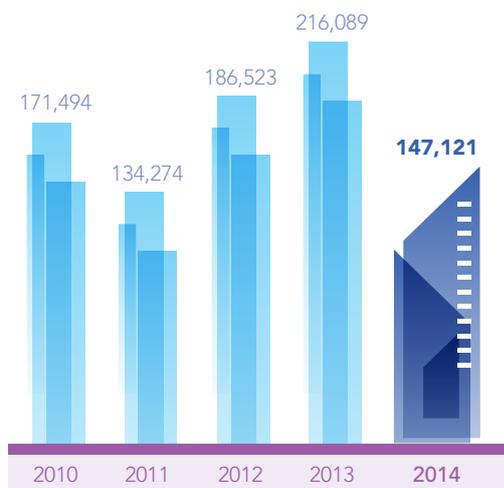
www.hopefluent.com

Financial Highlights

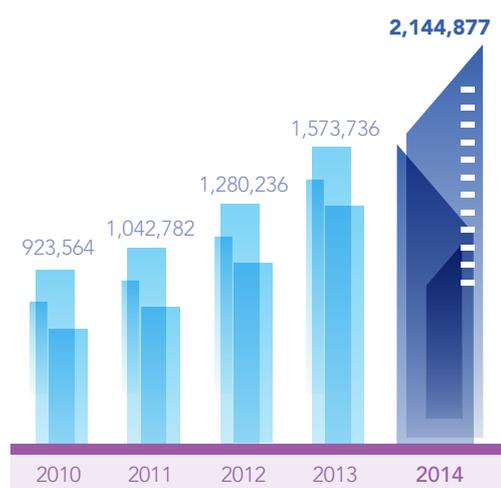
Turnover by Business *For the year ended 31st December*



Profit Attributable to Shareholders *(HK\$'000)*



Shareholders' Funds *(HK\$'000)*



YEAR IN REVIEW

The group has more than **25** offices serving more than **150** cities. Currently, the Group has become the close partner of renowned developers such as Sun Hung Kai Properties, Vanke, Evergrande, Poly, China Resources Property, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Gemdale and New World China Land. The Group is continuing its efforts to expand its customer base and services and secure more agency projects in different regions, reinforcing its leading position in China's property service market.



星河湾半岛
STAR RIVER PENINSULA

星河湾升级之作

254-682m²城市一线望江大宅

品鉴专线 **3920 9999**
(+8620)

项目地址: 广州市沙溪大道星河湾半岛(华南快速干线沙溪出口)
项目网址: <http://gz.star-river.com>




恒大中央广场
EVERGRANDE CENTRAL PLAZA

主中心·138万m²·世界旗舰综合体
百年中心 世界都市汇

80-190m²一环内精装豪宅·20-100m²地铁临街旺铺

现场全实景盛大开放 现接受全球预约




匯悅臺
HUIYUETAI

汇无界, 悦无限, 匯悅臺

萬鑫地產



万科® 欧泊 (新光城市花园)

愈醇熟 愈完美

约93~95m²(建面) 墅景三房 臻稀发售
首付**42**万起 后双11钜惠持续进行时

020 3482 4888

地址: 广州·番禺·兴南大道258号

In 2015, the property agency services will continue to be the core business of the Group. Given the prevalence of internet technology, the Group has integrated a mobile network service with its traditional service from 2014 so as to improve the operational mode of the industry and create room for sustainable development, thus ultimately providing more comprehensive services to customers.

地利
东部山水新城 30分钟直达市区

广州东部山水新城，得天独厚的自然环境，生活舒适宜人，毗邻广州东郊新城，交通发达，配套设施完善，24小时不间断。

香港联合交易所上市编号：1813

山下院落
THE COMPOUND BELOW

远离雾霾 生活回归自然健康

198万/栋悦享前庭后院生活

合景·誉山国际 32 988 988 广州市广园东新新公路中段

NEW METROPOLITAN CENTER

新都汇
东城之心·首座成熟大盘

汇聚东城卓越生活

52-113平米 0551-65

富力地产 香港联合交易所上市编号：2777

富力 东山新天地
27万m² 东山人文综合体

百年荣耀传一脉
以时代的荣耀·领舞这座城
全年热销40亿，全城销冠
19栋 F3栋120-180m² 三至四房 火爆加推

坐拥双地铁·享名优教育·中心综合体

27万m²东山人文综合体

8550 8888

万科东荟城

科学城央 3年醇熟传奇大盘
双省级名校入驻
约70-140m²两至四房

地址：广州科学城科苑大道与品川路交汇处（广州国际创新园） 开发商：广州市万科房地产有限公司 请认准：合富辉煌 整合推广：EKC 碧秀传媒

(Tel) 020-3207 8888

Chairman's Statement



Fu Wai Chung
Chairman

In 2014, gradual slowdown was seen in China's macroeconomic growth, and the domestic property market has been affected directly and experienced substantial volatility. While property purchases and mortgage lending restrictions were still in effect in the first half of 2014, the relaxation of property purchase restriction, together with loosening of mortgage lending limits and reduction of bank interest rates in the second half of the year have spurred a significant increase in the number of transactions in the property market. Adhering to a prudent and diligent business strategy, Hopefluent has grasped opportunities in a timely fashion by formulating precise and appropriate strategies to expand its business and therefore its overall business has continued to report growth. In the past year, the Group's turnover increased by 5% to HK\$2,467 million.

During the year, Hopefluent has reported impressive results in new home sales, retained its market leading position, recording a total transaction value exceeding HK\$200 billion. Currently, the Group is the agent for more than 900 property projects and its business network covers more than 150 cities in China, which has boosted its overall market share. The Group has focused on reinforcing its leading position in Guangzhou during the year and has secured a number of quality projects. Highlights of these projects include Top Plaza, a property in Guangzhou co-developed by Sun Hung Kai Properties, R&F Properties and KWG Property, The Bayview by Kingold Group, Vanke Opalus, Poly Zephyr City, The Legend by CITIC, KWG The Summit, Asian Games City, R&F Dongshan Xintiandi, Foshan Glorious City by China Overseas, Hefei Evergrande Central Square, Hanlin Metro in Nanning, Evergrande City in Guiyang and Shandong Lushang The Lake and Gardens, etc. These projects had attracted widespread attention, receiving overwhelming responses in the market and also recording remarkable sales results. The solid performance had underscored our management's capability in strategic planning and the sales team's professional execution ability, which enabled the Group to keep abreast of the market changes and achieved sustainable growth. The Group's commission income from the primary property real estate agency service business in 2014 was HK\$1,596 million, increased by 11% when compared to 2013.

As for the secondary property real estate agency service business, it was a quiet year in the market when compared to previous years. In this regard, the Group has proactively adjusted its strategy by reallocating resources from the team of its secondary property agency business to the primary property real estate agency business. Moreover, the Group had also combined the sales and rental businesses in shops, offices and residential properties so as to broaden the sources of commission income from the secondary property real estate agency business. Turnover generated from the business was HK\$579 million, 17% lower than that in 2013. Meanwhile, the Group's financial service business has maintained growth during the year.

The Group's property management service has achieved notable growth in performance. It has provided property management services for approximately 150 residential properties, offices and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan, involving more than 200,000 units covering a total gross floor area of more than 20 million square meters. Turnover generated from this business segment was HK\$292 million in 2014, up by 33% when compared to the HK\$220 million in 2013.

It is worthy to note that the Group has achieved encouraging results in integrating Internet service in its business. Its e-commerce business including its own "iHouseKing" website (www.ihk.cn) and "iHouseKing super WeChat", which have effectively integrated online and offline property sales services, enhanced the Group's competitiveness evidently and hence contributed promising income to the Group's real estate agency business.

During the year, the Group established a strategic partnership with SouFun Holdings Limited ("SouFun" NYSE: SFUN) to explore a brand new segment in the real estate and Internet financial services sector, which is a major advanced development to the Group's value-added services. Application for relevant licences and approval have been submitted to the relevant Government authority and the business is expected to commence operation and bring in operating income to the Group within the next three months.

Looking ahead, downward pressure on China's economy is expected to continue. The management believes that the future presents both challenges and opportunities. The further relaxation of macroeconomic controls and monetary policies are expected to greatly facilitate the healthy development of the real estate sector. By leveraging Hopefluent's industry leadership position as well as its long-term and close partnership with property developers, the Group continues to prudently chart its future development direction with a cautious yet optimistic manner. The Group will also closely monitor changes in the operating environment, act proactively in integrating the Internet and traditional operations of the real estate agency businesses so as to meet the continuous market demand. Meanwhile, we will continue to seek opportunities to create more sophisticated and superior products, as well as value-added services which are in line with the business development of the real estate industry, in order to optimally cope with changing trends of the real estate market in China.

Last but not least, on behalf of the Board, I would like to thank all of our shareholders, business partners and customers for their strong support, as well as their recognition of and confidence in the Group's future development strategy. I would also like to express my gratitude to our staff for their dedicated efforts and contributions over the past year. We will continue to strive our utmost to achieve steady growth in a bid to create sustainable growth in business performance and generate better returns for our shareholders.

By Order of the Board

Fu Wai Chung

Chairman

Hong Kong, 30th March, 2015

Comprehensive Networks in PRC



-  Headquarters
-  Primary Real Estate Services
-  Business Presence
-  Secondary Real Estate Services

Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 65, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over 25 years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 59, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over 25 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 54, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over 25 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 50, is a certified public accountant in Hong Kong and has over 25 years of experience in accounting and financial management. Mr. Lo has obtained a professional diploma in accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of the Taxation Institute of Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 49, is the chief financial officer of a jewellery company in Hong Kong. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 25 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 64, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 66, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Hong Kong Institute of Housing. She is also a licensed real estate agent. Currently she is the Honorary Secretary of the Hong Kong Real Estate Agents Ltd.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2014.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 51, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

Biographical Details of Directors & Senior Management

SENIOR MANAGEMENT

Ms. Li Jie Nu, aged 61, is the manager of the administration department and is responsible for the administration and human resources of the Group. She has 20 years of experience in management and business administration. Ms. Li holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院).

Mr. Liang Guo Hong, aged 49, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Mr. Xu Jing Hong, aged 43, is the deputy general manager and is responsible for formulation of development strategies and overall business management for primary property agency business of the Group. He holds a diploma in business administration from the South China Normal University, the PRC (華南師範大學).

Mr. Xie Yu Han, aged 50, is the deputy general manager and is responsible for market research and analysis, property projects development planning and management of related information services. He holds a professional diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Mr. Li Wei, aged 43, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business of the Group. He holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Zheng Song Jie, aged 37, is the general business manager of the South China region and is responsible for promotion strategies and management of sales agency business for primary properties in South China region. He holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Mr. Liu Lian, aged 43, is the general manager of business in Eastern China region and is responsible for the promotion strategies and management of sales agency business for primary properties in the Eastern China region. He holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Mr. Ouyang Da Hui, aged 47, is the general manager of business in Northern China region and is responsible for promotion strategies and management of sales agency business for primary properties in Northern China region. Mr Ouyang holds a bachelor's degree in engineering from the Shenzhen University, the PRC.

Mr. Zheng Wen Wei, aged 44, is the general manager of Western China region and is responsible for the promotion strategies and management of sales agency business for primary properties in Western China region. He holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

Mr. Yu Zhao Yi, aged 46, is the deputy general business manager of the Guangzhou district and is responsible for promotion strategies and management of sales agency business for primary properties in Guangzhou and the Pearl River Delta region. He holds a bachelor's degree in civil engineering from the Harbin Vessel Engineering College (哈爾濱船舶工程學院).

Ms. Hu Yun, aged 42, is the manager of the architectural design advisory department and is responsible for construction, planning and research for real estates and management of related consultancy business. She holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

SENIOR MANAGEMENT (Continued)

Mr. Long Bin, aged 47, is the chief marketing research analyst and is responsible for the analysis and distribution of market information business. He holds a bachelor's degree in philosophy from the Jilin University of China (中國吉林大學) and a doctor's degree from the Renmin University of China (中國人民大學).

Ms. Peng Xi Ming, aged 36, is the general manager of financial services of the Group and is responsible for financial service businesses including mortgage and loans for primary and secondary properties. Ms. Peng holds double degrees in Business English and International Commerce from the Jinan University, the PRC (中國暨南大學).

Mr. Su Qi Gang, aged 41, is the general manager of the information technology department and is responsible for research and development of products of Internet application systems and management of related department. He has 20 years of experience in information technology and Internet. Mr. Su holds a bachelor's degree in computational science from the Sun Yat-sen University (中山大學).

Mr. Lu Jiang Bin, aged 53, is the general manager of the property management business and is responsible for the overall management of the property management services. He holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Lu Jun, aged 45, is the general manager of the property management of the Guangzhou district and is responsible for property management business in Guangzhou region. He has over 15 years of experience in property management. Mr. Lu holds a master's degree in political economics from the Guangdong Academy of Social Sciences (廣東省社會科學院).

Mr. Huang Jian Bang, aged 60, is the general manager of the property management business in Shanghai district and is responsible for the property management business in Shanghai. He holds a professional diploma from the English Department of Shanghai Foreign Institute (上海外國語學院).

Management Discussion and Analysis

BUSINESS REVIEW

Characterized by further consolidation in China's domestic property market, 2014 has been a year full of challenges for Hopefluent. In the first half of 2014, affected by the macroeconomic slowdown, the continuous implementation of regulatory policies on the property market and the tightening of credit and mortgage lending, there are various degrees of fluctuations in the property industry. Nevertheless, the Central Government launched a series of "mini-stimulus" measures in the second half of the year and home-purchase restrictions were gradually rescinded in different cities and provinces, plus the positive influence from greater relaxation of housing mortgage requirements and declining interest rates contributed to the market warming up with the gradual release of purchasing power. Although the market keeps changing, the Group's real estate service philosophy has remained constant. Based on a well-established business foundation, strong brand reputation and pragmatic business development approach, our close-to-market strategy has continued to deliver satisfactory results.

For the year ended 31st December, 2014, the Group recorded a turnover of HK\$2,467 million, representing an increase of 5% from HK\$2,350 million in 2013. Profit attributable to shareholders dropped by 32% from HK\$216.1 million in 2013 to HK\$147.1 million. Excluding the decrease in fair value of investment properties, profit attributable to shareholders would have been HK\$152.6 million in 2014, 18% lower than HK\$185.4 million in 2013 after deducting the increase in fair value of investment properties. Basic earnings per share were HK27.5 cents (2013: HK44.5 cents). The Board resolved to declare a final dividend of HK3 cents per share for the year ended 31st December, 2014 (2013: HK4 cents). Together with the interim dividend of HK 1 cent per share that had been paid, total dividend for the year amounted to HK4 cents per share (2013: HK6.5 cents).

During the year under review, the total transaction value of new home sales exceeded HK\$200 billion. The Group's primary and secondary property real estate agency service businesses brought in turnover of HK\$1,596 million and HK\$579 million respectively, accounting for 65% and 23% of the Group's total turnover. The remaining 12% or HK\$292 million was derived from the property management business. By geographic location, Guangzhou contributed 54% of the Group's total turnover while 46% came from outside Guangzhou.

Primary Property Real Estate Agency Service

During the year under review, although the property sector was still undergoing consolidation, the Group handled around 166,000 primary property transactions involving a total gross floor area of about 18 million square meters buttressed by rigid demand and the needs from improving the living environment. The Group retained its leading position in the primary property real estate agency sector through more than 900 agency projects with around 800 of them contributing turnover in 2014 amounting to approximately HK\$1,596 million, 11% higher than the previous year.

On top of reinforcing its leading position in Guangzhou in recent years, the Group is also developing markets strategically in second-tier and third-tier cities with strong potential in a progressive pace, in order to establish a nationwide presence and extend the Group's business coverage. With strong brand recognition and a reputable quality property real estate agency service, the Group now serves in more than 150 cities in China.

The Group has worked closely with major property developers to launch new property projects during the year and achieved a satisfactory sales performance. Highlights of these are Top Plaza, a property in Guangzhou co-developed by Sun Hung Kai Properties, R&F Properties and KWG Property, The Bayview by Kingold Group, Vanke Opalus, Poly Zephyr City, The Legend by CITIC, KWG The Summit, Asian Games City, R&F Dongshan Xintiandi, Foshan Glorious City by China Overseas, Hefei Evergrande Central Square, Hanlin Metro in Nanning, Evergrande City in Guiyang and Shandong Lushang The Lake and Gardens. This extensive portfolio clearly demonstrates the recognition and trust of a wide range of developers in the Group's professional services, integration capability and operational strategy.

BUSINESS REVIEW (Continued)

Primary Property Real Estate Agency Service 合富輝煌房地產 (Continued)

To seize the business opportunities from the Internet, the Group has developed an online property transaction platform “iHouseKing” (www.ihk.cn). Through the adaptation of mobile application technology, the Group has also developed “iHouseKing super WeChat” (房王超級微信), which can realize the business model of flat searching and expanding the customer base online, while implementing the business transaction offline. This innovative business approach combines online and offline resources effectively and has gained widespread support in the market, bringing our online applications into a new development stage. In 2014, the e-commerce business through iHouseKing generated promising income for the Group. Management believes the combination of “iHouseKing” with our traditional service model will significantly strengthen the competitiveness of our businesses.

Secondary Property Real Estate Agency, Mortgage Referral and Financial Service Related Businesses



Under the purchase and mortgage restrictions, the secondary property market remained quiet in 2014. However, major developers seized the rigid demand and the increasing customer requirements for improving the living environment to accelerate the launch of property projects and reduction of inventory. The Group has made a timely adjustment to its operational strategy within this segment, flexibly allocated its resources and promoted new projects and secondary properties at the same time. These efforts have brought a stable commission income to the Group.

The Group’s turnover from the secondary property real estate agency service in 2014 was HK\$579 million, dropped by 17% when compared to the HK\$695 million last year. The Group handled approximately 39,000 secondary property transactions in 2014. Currently, the Group has around 290 secondary branches.

In addition to providing property agency services, the Group also offers other property related value-added services to customers including mortgage referral, loan financing services and property valuation. These services continued to generate additional income for the Group during the year.

During the year, the Group established a strategic partnership with SouFun Holdings Limited (“SouFun” NYSE: SFUN) to explore a brand new segment in the real estate and Internet financial services sector. Application for relevant licences and approval of the business and the joint venture have been submitted to the relevant Government authority. The strategic partnership enables “Fang.com” and the Group to leverage the respective leading online and offline businesses of the two parties, share resources and deepen cooperation, thus providing a comprehensive property service platform to developers, property buyers and financial institutions. This strategic partnership will enable the Group’s existing financial service to step into a new level, thus creating a wide room for business and provides a solid foundation for developing more value-added services in the future.

Property Management Service

In terms of property management service, the Group continued to provide services for around 150 residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan, involving more than 200,000 units covering a total gross floor area of more than 20 million square meters. These services have generated both a stable income and an extensive customer base for the Group during the year, which would also reinforce our branding and facilitate our long-term development. Besides, the Group has launched the “Property Robot” (a mobile Internet platform for property management service) in a number of communities last year, which has gained widespread popularity and word-of-mouth. This segment has performed well with turnover amounted to approximately HK\$292 million in 2014, up by 33% when compared to the HK\$220 million in 2013.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Prospects

After a series of policy adjustments, the Chinese property market has started to stabilize. Although the macro-economy is still subject to downward pressure, certain favorable factors in the property market such as continued relaxation of macroeconomic policies, together with interest rate reductions, further loosening of mortgage restrictions and monetary easing, are expected to inject positive momentum into the market. The ongoing urbanization in the country will also boost demand for property purchase, so the management believes that such an environment facilitates growth momentum and provides room for the long-term development of the property industry.

Looking ahead, Hopefluent will strive to provide quality primary and secondary property real estate agency services based on our well-established foundation. We have built a close partnership with many leading developers including Vanke, Evergrande, Poly, Gemdale, China Resources Property, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Guangzhou Pearl River Industrial and Sun Hung Kai Properties. In the future, the Group will continue to actively expand its customer base to secure more agency projects in order to increase its market share.

In response to the continuous development of Internet applications, the Group will strive to push forward the combination of online and offline property transactions and Internet financial services. On the one hand, enhancing the strategic cooperation with SouFun to realize greater synergies; on the other hand, developing more new Internet products that match the needs for property services in order to capture more business opportunities.

Being an experienced, renowned and leading property agent in China, Hopefluent will closely follow the market trends to optimize its business model and network deployment, with the aim to steadily expand its business. We will also keep an eye on any market changes. Through our efforts to enhance our overall strengths, we will explore more value-added services on our solid foundation of traditional businesses, so as to deliver sustainable returns to our shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited consolidated financial statements for the year ended 31st December, 2014 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2014, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$1,100.4 million (31st December, 2013: HK\$546.1 million) and 3.90 (31st December, 2013: 4.48) respectively. Total borrowings amounted to approximately HK\$222.0 million which are secured bank borrowings and convertible notes (31st December, 2013: approximately HK\$267.5 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 7.82% (31st December, 2013: 11.98%). The Group's secured bank borrowings and convertible notes are denominated in Renminbi and Hong Kong dollars respectively. The Group had no material contingent liabilities as at 31st December, 2014.

CONVERTIBLE NOTES

In August 2012, a subsidiary of the Company issued 5.39% exchangeable bonds in an aggregate principal amount of HK\$218,400,000 due 2015. During the year under review, an aggregate principal amount of exchangeable bonds of HK\$48,000,000 were converted into ordinary shares at HK\$2.2454 per share, resulting in the issue of 21,377,037 ordinary shares.

PLEDGE OF ASSETS

As at 31st December, 2014, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$42 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2014, the Group had approximately 16,700 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

During the year, 42,000,000 shares and 91,000,000 shares of the Company have been issued to China-net Holding Ltd. and SouFun Holdings Limited respectively at the subscription price of HK\$3.00 per share.

As at 31st December, 2014, the total number of shares (the "Shares") of HK\$0.01 each in the capital of the Company in issue was 656,701,909.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company and its subsidiaries (the "Group") are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31st December, 2014, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors. Having made specific enquiry with all directors, the directors confirmed that they all had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung (<i>Chairman</i>) Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December, 2014, eight Board meetings, one annual general meeting ("2014 AGM") and one extraordinary meeting ("EGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December, 2014		
	Board meetings	2014 AGM	EGM
Mr. FU Wai Chung	8/8	1/1	1/1
Ms. NG Wan	6/8	1/1	1/1
Ms. FU Man	5/8	1/1	0/1
Mr. LO Yat Fung	8/8	1/1	1/1
Mr. LAM King Pui	7/8	1/1	1/1
Mr. NG Keung	7/8	1/1	1/1
Mrs. WONG LAW Kwai Wah, Karen	7/8	1/1	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's long-term objectives and overall strategies, authorising the development plan and budget; determining and approving financing options; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that though there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to operation of the Company.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2017 which may be extended as each director and the Company may agree in writing. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

The Articles of Association of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company.

The individual training record of each director received for the year ended 31st December, 2014 is summarized below:

	Attending seminar(s)/ forum(s)/programme(s)/ conference(s) relevant to the business or directors' duties
Mr. FU Wai Chung	✓
Ms. NG Wan	✓
Ms. FU Man	✓
Mr. LO Yat Fung	✓
Mr. LAM King Pui	✓
Mr. NG Keung	✓
Mrs. WONG LAW Kwai Wah, Karen	✓

Mr. Fu Wai Chung, Ms. Ng Wan, Ms. Fu Man and Mr. Lo Yat Fung, being executive Directors, have attended various seminars and meetings to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen, being independent non-executive Directors, have participated in continuous professional development programs provided by, among others, the Estate Agents Authority and the Hong Kong Institute of Certified Public Accountants. All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three existing independent non-executive directors, who have reviewed the financial statements for the year ended 31st December, 2014. Mr. Lam King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board; to monitor the quality of internal control and to consider major findings of internal investigations and management's response.

Four meetings were held for the year ended 31st December, 2014. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2014
Mr. LAM King Pui	4/4
Mr. NG Keung	4/4
Mrs. WONG LAW Kwai Wah, Karen	4/4

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

- (a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;
- (b) make recommendation to the Board, for the approval by shareholders, of the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external Auditor and approval of their remuneration;
- (c) review the financial statements for the relevant periods; and
- (d) discuss business development and cash position of the Group.

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises the three existing independent non-executive directors and Mr. Lam King Pui is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c) (ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Group's human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee's consideration. The remuneration of executive directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

One meeting was held during the year ended 31st December, 2014. During the meeting, remuneration policies of the directors have been discussed, an increase in the remuneration of the directors has been approved and no change has been proposed to the remuneration policies. No director or any of his associates was involved in deciding his own remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2014
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

A new share option scheme has been adopted in the annual general meeting held on 6th June, 2014. Details of this share option scheme are set out in a circular dated 29th April, 2014.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 13 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22nd March, 2012 comprising Mr. Fu Wai Chung, Mr. Lo Yat Fung and the existing three independent non-executive directors. Mr. Lam King Pui is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships of the Company;
- to assess the independence of independent non-executive directors of the Company; and
- to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors, in particular the chairman and the chief executive of the Company.

In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the property real estate agency and consultancy services and/or other professional areas.

One meeting was held during the year ended 31st December, 2014. No change has been proposed to the structure, size and composition of the Board during the meeting and the Committee had also confirmed the independence of an independent non-executive director who would be retired and offer herself for re-election at 2014 AGM and the diversity of the Board.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December, 2014
Mr. FU Wai Chung	1/1
Mr. LO Yat Fung	1/1
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September, 2014 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. Three of them are women. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Internal Control and Risk Management

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. An internal control department ("ICD") was established in 2006 which reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales, performance reports and cash flow of each branch rotationally. Programs have also been tailor-made for a monthly consolidated management accounts.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of materials assets and identification of business risks. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31st December, 2014 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system, such as control over expenditures and payroll, certain risk assessment controls and periodic review of the Group's performance by the Audit Committee and the Board.

Auditors' Remuneration

During the financial year ended 31st December, 2014, the fees paid to the Company's auditors is set out as follows:

Services rendered	Fees paid/payable (HK\$'000)
Audit services	2,970,000
Non-audit services	180,000
	3,150,000

The non-audit services are review of documents related to the Company's annual results.

COMPANY SECRETARY

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The biographical details of Mr. Lo Hang Fong are set out under the section headed "Biographical Details of Directors & Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Lo Hang Fong has taken no less than 15 hours of relevant professional training during the financial year ended 31st December, 2014.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

— Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's business office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's place of business in Hong Kong at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

- At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;
- At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the place of business of the Company in Hong Kong or by e-mail to info@hopefluent.com.hk for the attention of the Board or company secretary.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (Continued)

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

During the year ended 31st December, 2014, there had been no significant change in the Company's constitutional documents.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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 page 34.

An interim dividend of HK1 cent (2013: HK2.5 cents) per share amounting to HK\$5,237,000 (2013: HK\$12,231,000) in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK3 cents (2013: HK4 cents) per share (the "Proposed Final Dividend") to the shareholders on the register of members on 7th July, 2015.

The Proposed Final Dividend will be subject to shareholders' approval at the Company's forthcoming annual general meeting (the "2015 AGM"). The Proposed Final Dividend will be distributed on or about 22nd July, 2015 (Wednesday) to the shareholders whose names appear on the register of members of the Company on 7th July, 2015 (Tuesday) ("the Record Date for Dividend").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (i) from 23rd June, 2015 (Tuesday) to 25th June, 2015 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 AGM. In order to be eligible to attend and vote at the 2015 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 22nd June, 2015 (Monday); and
- (ii) from 6th July, 2015 (Monday) to 7th July, 2015 (Tuesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3rd July, 2015 (Friday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

INVESTMENT PROPERTIES

During the year, the Group disposed certain investment properties at an aggregate consideration of HK\$24,002,000. The Group revalued all of its investment properties as at 31st December, 2014. The deficit arising on the revaluation amounted to HK\$5,445,000 and has been recognised in the consolidated statement of profit or loss and other comprehensive income. Details of the movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of HK\$47,462,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the People's Republic of China.

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

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

CONVERTIBLE NOTES

Details of the convertible notes of the Group are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2014 comprised the share premium, contributed surplus reserve and accumulated losses of approximately HK\$767 million.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2014.

BOARD OF DIRECTORS

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

Executive directors

Mr. Fu Wai Chung (*Chairman*)

Ms. Ng Wan

Ms. Fu Man

Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui

Mr. Ng Keung

Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Ng Wan, Lam King Pui and Ng Keung retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2014, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions:

(i) *Ordinary share of HK\$0.01 each and underlying shares under equity derivatives of the Company*

Name of Director	Number of shares			Aggregate interest	Approximate percentage of the issued share capital
	Ordinary shares interest held under personal name	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) (note 2)		
Mr. Fu Wai Chung ("Mr Fu")	9,552,334	216,184,799 (note 1)	–	225,737,133	34.37%
Ms. Ng Wan	832,334	–	–	832,334	0.13%
Ms. Fu Man	–	–	4,400,000	4,400,000	0.67%
Mr. Lo Yat Fung	–	–	3,920,000	3,920,000	0.60%
Mr. Lam King Pui	–	–	296,000	296,000	0.05%

Notes:

- 174,184,799 shares and 42,000,000 shares are registered in the name of Fu's Family Limited and China-net Holding Ltd. respectively. Fu's Family Limited is held 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man. China-net Holding Ltd. is wholly-owned by Mr. Fu.
- Details of share options movements are shown in the section of "Share Options".

(ii) *Ordinary shares of US\$1.00 each in Fu's Family Limited*

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu Wai Chung	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

(iii) *Ordinary shares of US\$1.00 each in China-net Holding Ltd.*

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu Wai Chung	100	100%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st December, 2014.

Directors' Report

SHARE OPTIONS

Particulars of the Company's share options scheme (the "Scheme") were set out in note 32 to the consolidated financial statements.

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

	Number of share options					Date of grant	Exercise period	Exercise price per share HK\$	Closing price of share immediately before date of grant HK\$
	As at 1st January, 2014	Granted during the year	Lapsed/ Cancelled during the year	Exercise during the year	As at 31st December, 2014				
Directors									
Ms. Fu Man	4,400,000	-	-	-	4,400,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Lo Yat Fung	3,920,000	-	-	-	3,920,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Lam King Pui	296,000	-	-	-	296,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Others									
Employees	6,406,000	-	(2,178,000)	(1,372,000)	2,856,000	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Total	15,022,000	-	(2,178,000)	(1,372,000)	11,472,000				

The total number of shares of the Company issuable upon exercise of all options granted under the Scheme is 11,472,000, representing 1.75% of the issued shares of the Company as at the date of this annual report.

The closing price of the Company's shares immediately before 2nd July, 2013, the date of grant of the 2013 options, was HK\$2.48.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.02.

CONNECTED TRANSACTION

During the financial year ended 31st December, 2014, the following connected transaction undertaken by the Group which are included in the transactions set out in note 28 to the consolidated financial statements.

On 12th September, 2014, the Company entered into a subscription agreement (the "China-net Subscription Agreement") with China-net Holding Ltd. ("China-net") pursuant to which China-net has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 42,000,000 new ordinary shares (the "Shares") of the Company at the subscription price of HK\$3.00 per new Share to China-net ("China-net Subscription").

On 12th September, 2014, the Company also entered into a subscription agreement ("SouFun Subscription Agreement") with SouFun Holdings Limited ("SouFun") pursuant to which SouFun has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 91,000,000 new Shares at the subscription price of HK\$3.00 per new Share to SouFun ("SouFun Subscription").

As China-net is wholly-owned by Mr. Fu Wai Chung ("Mr. Fu"), a controlling shareholder of the Company, it is therefore a connected person of the Company under the Listing Rules and the China-net's subscription of 42,000,000 new Shares constitutes a connected transaction of the Company under the Listing Rules which is subject to the announcement, reporting and independent shareholders' approval requirements. The independent shareholders' approval had been obtained at an extraordinary meeting held on 31st October, 2014. 42,000,000 new Shares have been allotted to China-net on 12th November, 2014.

The Company has been planning to reinforce its real estate property Internet business through linking up with a top real estate website to enable it to ride on the e-commerce competitive edge, broaden the customer base and improve its various value-added services. The Company considers SouFun an ideal partner for cooperation in this regard. One of the conditions precedent to the completion of SouFun Subscription Agreement is that Mr. Fu should continue to remain as a controlling shareholder of the Company after the issued share capital has been enlarged to ensure his commitment to the Company and to align his interests to the continued growth and development and profitability of the Company. The reason for entering into the China-net Subscription Agreement is to ensure that Mr. Fu holds not less than 30% of the enlarged issued share capital of the Company.

The Company would apply the net proceeds from the SouFun Subscription and the China-net Subscription to conduct real estate financial and Internet financial services businesses and for general working capital of the Group.

Details of the above connected transaction can be found in the announcements of the Company dated 10th July, 2014, 12th August, 2014, 12th September, 2014 and 31st October, 2014 and the circular dated 7th October, 2014.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme and connected transaction as disclosed above, at no time during the year was the Company, or any of its subsidiaries or its fellow 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its subsidiaries or fellow 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' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives	Approximate percentage of the issued share capital of the Company
Mr. Fu	Beneficial owner/Held by controlled corporation/ Spouse interests (note 1)	226,569,467	34.50%
Fu's Family Limited	Beneficial owner (note 1)	174,184,799	26.52%
China-net Holding Ltd.	Beneficial owner (note 1)	42,000,000	6.40%
SouFun Holdings Limited	Beneficial owner (note 2)	111,935,037	17.05%
Media Partner Technology Limited	Held by controlled corporation (note 2)	111,935,037	17.05%
Next Decade Investments Limited	Held by controlled corporation (note 2)	111,935,037	17.05%
Mo Tian Quan	Founder of the trust (note 2)	111,935,037	17.05%
Caldstone Enterprises Limited	Trustee (note 2)	111,935,037	17.05%
Seletar Limited	Trustee (note 2)	111,935,037	17.05%
Serangoon Limited	Trustee (note 2)	111,935,037	17.05%
Mutual Fund Elite	Custodian corporation	50,986,320	7.76%
Value Partners Group Limited	Held by controlled corporation	33,254,000	5.06%
Li Gabriel	Held by controlled corporation (note 3)	97,265,514	14.81%
Lam Lai Ming	Held by controlled corporation (note 3)	97,265,514	14.81%
Areo Holdings Limited	Held by controlled corporation (note 3)	97,265,514	14.81%
OAV Holdings, L.P.	Held by controlled corporation (note 3)	96,196,662	14.65%

SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions: (Continued)

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives	Approximate percentage of the issued share capital of the Company
Orchid Asia V GP, Limited	Held by controlled corporation (note 3)	96,196,662	14.65%
Orchid Asia V Group Management, Limited	Held by controlled corporation (note 3)	96,196,662	14.65%
Orchid Asia V Group, Limited	Held by controlled corporation (note 3)	96,196,662	14.65%
Orchid Asia V, L.P.	Registered holder (note 3)	96,196,662	14.65%

Notes:

1. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 9,552,334 shares held by himself and 832,334 shares held by his spouse, Ms. Ng Wan, who is also the director of the Company. The remaining 42,000,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.
2. These shares are held by SouFun Holdings Limited as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of SouFun Holdings Limited. Mr. Mo Tian Quan is the founder of the trust who is deemed to be interested in these shares.
3. The underlying shares in form of exchangeable bonds and the ordinary shares are registered in the name of Orchid Asia V, L.P. which is held by OAV Holdings, L.P. and, indirectly held by Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited and Areo Holdings Limited. Mr. Li and Ms. Lam who are controllers of Areo Holdings Limited are deemed to be interested in 97,265,514 ordinary shares/underlying shares.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2014.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors as independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

Directors' Report

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2014. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceeds 25% as at 30th March, 2015.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fu Wai Chung

Chairman

Hong Kong

30th March, 2015

Deloitte. 德勤

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED

合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 87, which comprise the consolidated statement 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2014, and of its 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 disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30th 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
Turnover	7	2,466,784	2,350,527
Other income	9	10,619	15,922
Change in fair value of investment properties		(5,445)	30,695
Selling expenses		(1,759,783)	(1,617,752)
Administrative expenses		(417,722)	(391,102)
Other expenses		(10,358)	(9,194)
Share of losses of an associate		(6,253)	(6,721)
Finance costs	10	(42,353)	(46,441)
Profit before tax		235,489	325,934
Income tax expense	11	(83,344)	(107,356)
Profit for the year	12	152,145	218,578
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation		(8,470)	41,311
Surplus on revaluation of properties upon transfer to investment properties		–	20,222
Income tax relating to item that will not be reclassified		–	(8,573)
Other comprehensive (expense) income for the year, net of income tax		(8,470)	52,960
Total comprehensive income for the year		143,675	271,538
Profit for the year attributable to:			
Owners of the Company		147,121	216,089
Non-controlling interests		5,024	2,489
		152,145	218,578
Total comprehensive income attributable to:			
Owners of the Company		138,839	269,034
Non-controlling interests		4,836	2,504
		143,675	271,538
Earnings per share	16		
— Basic		HK27.5 cents	HK44.5 cents
— Diluted		HK27.5 cents	HK44.4 cents

Consolidated Statement of Financial Position

At 31st December, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
NON-CURRENT ASSETS			
Investment properties	17	72,000	102,215
Property, plant and equipment	18	215,840	228,655
Goodwill	19	16,178	16,280
Interest in an associate	20	127,669	134,774
		431,687	481,924
CURRENT ASSETS			
Accounts receivables	21	994,766	883,094
Loan receivables	22	229,022	241,422
Other receivables and prepayments		77,998	71,377
Held for trading investments	23	5,006	9,720
Bank balances and cash	24	1,100,401	546,080
		2,407,193	1,751,693
CURRENT LIABILITIES			
Payables and accruals	25	246,806	193,914
Tax liabilities		116,578	99,008
Bank borrowings	26	51,572	49,118
Convertible notes	27	202,372	48,964
		617,328	391,004
NET CURRENT ASSETS		1,789,865	1,360,689
TOTAL ASSETS LESS CURRENT LIABILITIES		2,221,552	1,842,613
CAPITAL AND RESERVES			
Share capital	28	6,567	5,010
Share premium and reserves		2,138,310	1,568,726
Equity attributable to owners of the Company		2,144,877	1,573,736
Non-controlling interests		20,372	40,958
TOTAL EQUITY		2,165,249	1,614,694
NON-CURRENT LIABILITIES			
Convertible notes	27	–	173,824
Deferred tax liabilities	29	56,303	54,095
		56,303	227,919
		2,221,552	1,842,613

The consolidated financial statements on pages 34 to 87 were approved and authorised for issue by the Board of Directors on 30th March, 2015 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes equity reserve HK\$'000	Special reserve HK\$'000 (note i)	Statutory surplus reserve HK\$'000 (note ii)	Translation reserve HK\$'000	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2013	4,785	363,310	38,242	5,760	62,507	110,157	-	-	695,475	1,280,236	17,967	1,298,203
Other comprehensive income for the year	-	-	-	-	-	41,296	-	11,649	-	52,945	15	52,960
Profit for the year	-	-	-	-	-	-	-	-	216,089	216,089	2,489	218,578
Total comprehensive income for the year	-	-	-	-	-	41,296	-	11,649	216,089	269,034	2,504	271,538
Shares issued on scrip dividend	79	22,154	-	-	-	-	-	-	-	22,233	-	22,233
Recognition of equity-settled share-based payments (note 32)	-	-	-	-	-	-	19,945	-	-	19,945	-	19,945
Exercise of share options	146	46,869	-	-	-	-	(9,841)	-	-	37,174	-	37,174
Dividends recognised as distribution (note 15)	-	(54,886)	-	-	-	-	-	-	-	(54,886)	-	(54,886)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	20,487	20,487
Transfer	-	-	-	-	5,690	-	-	-	(5,690)	-	-	-
At 31st December, 2013	5,010	377,447	38,242	5,760	68,197	151,453	10,104	11,649	905,874	1,573,736	40,958	1,614,694
Other comprehensive expense for the year	-	-	-	-	-	(8,282)	-	-	-	(8,282)	(188)	(8,470)
Profit for the year	-	-	-	-	-	-	-	-	147,121	147,121	5,024	152,145
Total comprehensive (expense) income for the year	-	-	-	-	-	(8,282)	-	-	147,121	138,839	4,836	143,675
Exercise of share options	14	4,412	-	-	-	-	(927)	-	-	3,499	-	3,499
Dividends recognised as distribution (note 15)	-	(26,185)	-	-	-	-	-	-	-	(26,185)	-	(26,185)
Shares issued due to conversion of convertible notes by a noteholder	213	57,432	(7,282)	-	-	-	-	-	-	50,363	-	50,363
Issue of new ordinary shares	1,330	397,670	-	-	-	-	-	-	-	399,000	-	399,000
Expenses incurred in connection with issue of new shares	-	(1,550)	-	-	-	-	-	-	-	(1,550)	-	(1,550)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	1,537	1,537	(25,422)	(23,885)
Release upon disposal of investment properties	-	-	-	-	-	-	-	(6,122)	11,760	5,638	-	5,638
Transfer upon forfeiture of share options granted by the Company (note 32)	-	-	-	-	-	-	(1,487)	-	1,487	-	-	-
Transfer	-	-	-	-	8,311	-	-	-	(8,311)	-	-	-
At 31st December, 2014	6,567	809,226	30,960	5,760	76,508	143,171	7,690	5,527	1,059,468	2,144,877	20,372	2,165,249

Notes:

(i) **Special reserve**

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2004.

(ii) **Statutory surplus reserve**

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can only be used, upon approval by the board of directors of the PRC subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	235,489	325,934
Adjustments for:		
Depreciation of property, plant and equipment	55,392	66,424
Allowances on accounts receivables	7,898	5,490
Allowances on loan receivables	1,049	2,439
Finance costs	42,353	46,441
Share of losses of an associate	6,253	6,721
Change in fair value of investment properties	5,445	(30,695)
Loss (gain) on fair value change of held for trading investments	303	(64)
Loss on disposal and write-off of property, plant and equipment	551	1,265
Loss (gain) on disposal of held for trading investments	414	(1,096)
Interest income	(2,640)	(2,548)
Dividend income	(383)	–
Share-based payments expenses	–	19,945
Operating cash flows before movements in working capital	352,124	440,256
Increase in accounts receivables	(124,683)	(172,192)
Decrease in loan receivables	9,792	–
Increase in other receivables and prepayments	(7,036)	(13,970)
Decrease (increase) in held for trading investments	3,997	(2,961)
Increase in payables and accruals	57,049	59,986
Cash from operations	291,243	311,119
PRC income tax paid	(57,142)	(80,056)
NET CASH FROM OPERATING ACTIVITIES	234,101	231,063
INVESTING ACTIVITIES		
Interest received	2,640	2,548
Loans advanced	–	(243,861)
Dividend received	383	–
Proceeds from disposal of property, plant and equipment	2,865	2,723
Proceeds from disposal of investment properties	24,002	22,455
Purchase of property, plant and equipment	(47,462)	(51,855)
Purchase of investment properties	–	(5,282)
Withdrawal of pledged bank deposits	–	25,443
NET CASH USED IN INVESTING ACTIVITIES	(17,572)	(247,829)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	399,000	–
Proceeds from issue of shares due to exercise of share options	3,499	37,174
New bank borrowings raised	51,378	61,004
Capital contribution from non-controlling interests	–	20,487
Acquisition of additional interests in subsidiaries	(23,885)	–
Expenses paid in connection with the issue of new shares	(1,550)	–
Interest paid	(12,406)	(16,604)
Dividends paid	(26,185)	(32,653)
Repayment of bank borrowings	(48,625)	(107,025)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	341,226	(37,617)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	557,755	(54,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	546,080	584,740
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,434)	15,723
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	1,100,401	546,080

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 36.

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

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

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 above 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.

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 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1st January, 2018.

² Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

³ Effective for annual periods beginning on or after 1st January, 2017.

⁴ Effective for annual periods beginning on or after 1st July, 2014.

⁵ Effective for annual periods beginning on or after 1st January, 2016.

⁶ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 *Revenue from Contracts with Customers* 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 that effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1st July, 2014.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010–2012 Cycle* will have a material effect on the Group’s consolidated financial statements.

Except those mentioned above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments that are measured at fair values, 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 or 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.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

Revenue recognition

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

Agency commission and conveyancing services income is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Marketing, development and planning consultancy and property management services income is recognised when the services are provided.

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.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Dividend income from investments is recognised when the shareholder's right to receive payment has 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

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 at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Investment properties

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as expenses 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 and building

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 except for those that are classified and accounted for as investment properties under the fair value model. 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 functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 the 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 is 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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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

The Group's financial assets are comprising of loans and receivables 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 financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, loan receivables, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

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

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 bankruptcy or financial re-organisation.

For certain categories of financial assets, such as accounts receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts 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 ranging from 30 to 120 days and observable changes in national or local economic conditions that correlate with default on receivables. Objective evidence of impairment for a portfolio of loan receivables could include adverse changes in the payment status of borrowers or adverse changes in industry conditions that affect the borrowers of the Group.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts 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 an accounts receivable or loan 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

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 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.

Convertible notes contain debt and equity component

Convertible notes issued by a group entity convertible to the Company's shares that contain both the debt and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset in the functional currency of the group entity who issued the notes for a fixed number of the Company's equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the debt component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the debt component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the debt component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Other financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 to sell 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of accounts receivables and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amounts of accounts receivables are HK\$994,766,000 (net of allowance for doubtful debts of HK\$26,967,000) (2013: carrying amount of HK\$883,094,000 (net of allowance for doubtful debts of HK\$19,069,000) and loan receivables of HK\$229,022,000 (net of allowances for doubtful debts of HK\$3,488,000) (2013: HK\$241,422,000 (net of allowances for doubtful debts of HK\$2,439,000).

Estimated useful lives of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31st December, 2014, the carrying amount of property, plant and equipment of the Group amounted to HK\$215,840,000 (2013: HK\$228,655,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. 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 goodwill is HK\$16,178,000 (2013: HK\$16,280,000). Details of the recoverable amount calculation are disclosed in note 19.

Fair value measurements and valuation processes

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

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties and certain types of financial instruments. Notes 6(c) and 17 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to land appreciation tax ("LAT") on disposal of its investment properties.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital 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 the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank borrowings and convertible notes disclosed in notes 26 and 27 respectively, net of cash and cash equivalents disclosed in note 24, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,355,792	1,707,071
Held for trading investments	5,006	9,720
Financial liabilities		
Amortised cost	286,237	299,668

6b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivables, loan receivables, other receivables, held for trading investments, bank balances and cash, payables, bank borrowings and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency assets, including bank balances and cash, which expose the Group to foreign currency risk.

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

	Assets	
	2014 HK\$'000	2013 HK\$'000
HK\$	1,149	2,748

Sensitivity analysis

The Group is mainly exposed to the currency risk of Hong Kong dollar ("HK\$").

The following table details the Group's sensitivity to a 5% (2013: 5%) increase/decrease in HK\$ against RMB. 5% (2013: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK\$ strengthen 5% (2013: 5%) against RMB. For a 5% (2013: 5%) weakening of HK\$ against RMB, there would be an equal and opposite impact on the profit and the balance would be negative.

	HK\$ Impact	
	2014 HK\$'000	2013 HK\$'000
Profit or loss	43	103

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

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and convertible notes.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances because these balances carry interest at prevailing rates and they are of short maturity.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2013: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2013: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2014 would increase/decrease by HK\$1,973,000 (2013: increase/decrease by HK\$852,000).

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.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the investment. As at 31st December, 2014, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the equity instrument had been 5% (2013: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2014, the Group's post-tax profit for the year would increase/decrease by HK\$209,000 (2013: HK\$406,000) as a result of the changes in fair value of held for trading investments.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31st December, 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2013: 100%) of the total accounts receivables as at 31st December, 2014. The Group also has concentration of credit risk as 7.6% (2013: 8.1%) and 2.1% (2013: 3.5%) of the total accounts receivables was due from the Group's five largest customers and largest customer, respectively, whom are within the property development business segment with good reputation and satisfactory repayment history.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. With respect to the microcredit business, the Group has delegated a team responsible for determination of credit limits and credit approvals. The team monitors customers' repayment ability and requests the customers to provide guarantees. In addition, the Group reviews 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 Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

In addition to financing by the Group's own capital and earnings, the Group relies on bank borrowings as an additional source of liquidity. As at 31st December, 2014, the Group has bank borrowings of HK\$51,572,000 (2013: HK\$49,118,000). Furthermore, as at 31st December, 2014 and 2013, the Group had no unutilised bank facilities.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its 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 can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
2014							
Non-derivative financial liabilities							
Payables	-	32,293	-	-	-	32,293	32,293
Bank borrowings — fixed rate	7.8	342	650	53,964	-	54,956	51,572
Debt component of convertible notes	22.38	-	4,555	226,074	-	230,629	202,372
		32,635	5,205	280,038	-	317,878	286,237

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2013 HK\$'000
2013							
Non-derivative financial liabilities							
Payables	-	27,762	-	-	-	27,762	27,762
Bank borrowings — variable rate	6.9	-	11,223	39,217	-	50,440	49,118
Debt component of convertible notes	22.38	48,964	1,485	4,630	230,629	285,708	222,788
		76,726	12,708	43,847	230,629	363,910	299,668

The amount 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 estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value measurements of financial instruments

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

- the fair values of financial assets and financial liabilities (excluding held for trading investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair values of held for trading investments are determined with reference to quoted market bid prices.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair values.

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 the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at 2014 HK\$'000	Fair value as at 2013 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as held for trading investments	5,006	9,720	Level 1	Quoted bid prices in an active market

There is no transfer between level 1 and 2 in both years.

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outside customers for the sales of properties in the PRC net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Agency commission	2,296,120	2,251,800
Services income	316,832	232,758
	2,612,952	2,484,558
Less: Business tax and other taxes	(146,168)	(134,031)
	2,466,784	2,350,527

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of secondary real estate services, mortgage referral and loan financing services to individuals or companies. Property management is the provision of building management services to property owners.

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

For the year ended 31st December, 2014

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	1,595,921	578,742	292,121	2,466,784
Segment profit	274,556	32,936	20,104	327,596
Other income				10,619
Central administrative costs				(48,675)
Share of losses of an associate				(6,253)
Decrease in fair value of investment properties				(5,445)
Finance costs				(42,353)
Profit before tax				235,489

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

8. SEGMENT INFORMATION (Continued)

For the year ended 31st December, 2013

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	1,435,450	695,340	219,737	2,350,527
Segment profit	327,977	37,126	4,442	369,545
Other income				15,922
Central administrative costs				(37,066)
Share of losses of an associate				(6,721)
Increase in fair value of investment properties				30,695
Finance costs				(46,441)
Profit before tax				325,934

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of profit or loss and other comprehensive income. Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of losses of an associate, change in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the chief operating decision maker, the measure of total assets and liabilities for each operating segment is therefore not presented.

Other segment information

2014

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amount included in measure of segment profit or loss:					
Additions to non-current assets	29,865	15,396	2,164	37	47,462
Depreciation of property, plant and equipment	24,162	29,009	1,666	555	55,392
Allowances on accounts receivables	-	7,898	-	-	7,898
Allowances on loan receivables	-	1,049	-	-	1,049
(Gain) loss on disposal and write-off of property, plant and equipment	(36)	558	29	-	551

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2013

	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amount included in measure of segment profit or loss:					
Additions to non-current assets	17,150	29,072	3,677	7,238	57,137
Depreciation of property, plant and equipment	34,841	30,202	979	402	66,424
Allowances on accounts receivables	–	5,490	–	–	5,490
Allowances on loan receivables	–	2,439	–	–	2,439
(Gain) loss on disposal and write-off of property, plant and equipment	(395)	1,660	–	–	1,265

Geographical information

The Group's businesses are located in Hong Kong and other parts of the PRC. Majority of the Group's primary property real estate agency, secondary property real estate agency and property management businesses are located in the PRC. The Group's revenue is all derived from customers located in the PRC.

At the end of each reporting period, substantially all of the non-current assets are located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

9. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Rental income, net of negligible outgoings	3,421	2,526
Other services income	4,175	9,688
Bank interest income	2,640	2,548
Dividend income	383	–
Gain on disposal of held for trading investments	–	1,096
Gain on fair value change of held for trading investments	–	64
	10,619	15,922

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	1,581	4,768
Effective interest on convertible notes	40,772	41,673
	42,353	46,441

11. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
PRC Enterprises Income Tax ("EIT")	75,266	91,495
Deferred tax (note 29)	8,078	15,861
	83,344	107,356

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 3.25% (2013: 2.5% to 7.25%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward for current year. No provision for Hong Kong Profits Tax had been made in prior year in the consolidated financial statements as the Group had no assessable profits in Hong Kong in prior year.

11. INCOME TAX EXPENSE (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Profit before tax	235,489	325,934
Tax at the applicable rate of 25%	58,872	81,483
Tax effect of share of losses of an associate	1,563	1,680
Tax effect of expenses not deductible for tax purpose	17,262	29,469
Tax effect of income not taxable for tax purpose	(159)	(9)
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(37)	(376)
Tax effect of tax loss not recognised	5,729	1,077
Effect of LAT	789	1,289
Utilisation of tax loss previously not recognised	(675)	(7,257)
Income tax expense for the year	83,344	107,356

Details of deferred tax are set out in note 29.

12. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration, including share-based payments expense and retirement benefits scheme contributions (note 13)	9,463	15,498
Other staff costs	1,406,124	1,263,131
Share-based payments expense	–	12,572
Other retirement benefits scheme contributions	101,930	88,711
Total staff costs	1,517,517	1,379,912
Auditor's remuneration	2,605	2,500
Depreciation of property, plant and equipment	55,392	66,424
Allowances on accounts receivables (included in other expenses)	7,898	5,490
Allowances on loan receivables (included in other expenses)	1,049	2,439
Loss on disposal and write-off of property, plant and equipment (included in other expenses)	551	1,265
Loss on fair value change of held for trading investments (included in other expenses)	303	–
Loss on disposal of held for trading investments (included in other expenses)	414	–

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive were as follows:

For the year ended 31st December, 2014

	Mr. Fu Wai Chung HK\$'000	Ms. Ng Wan HK\$'000	Ms. Fu Man HK\$'000	Mr. Lo Yat Fung HK\$'000	Mr. Ng Keung HK\$'000	Mr. Lam King Pui HK\$'000	Mrs. Wong Law Kwai Wah, Karen HK\$'000	Total HK\$'000
Fees	-	-	-	-	79	159	230	468
Salaries and other benefits	2,532	2,142	2,254	2,010	-	-	-	8,938
Retirement benefits scheme contributions	6	17	17	17	-	-	-	57
Total emoluments	2,538	2,159	2,271	2,027	79	159	230	9,463

For the year ended 31st December, 2013

	Mr. Fu Wai Chung HK\$'000	Ms. Ng Wan HK\$'000	Ms. Fu Man HK\$'000	Mr. Lo Yat Fung HK\$'000	Mr. Ng Keung HK\$'000	Mr. Lam King Pui HK\$'000	Mrs. Wong Law Kwai Wah, Karen HK\$'000	Total HK\$'000
Fees	-	-	-	-	66	132	198	396
Salaries and other benefits	2,045	1,601	2,373	1,650	-	-	-	7,669
Share-based payments expense	295	295	2,949	2,949	295	295	295	7,373
Retirement benefits scheme contributions	15	15	15	15	-	-	-	60
Total emoluments	2,355	1,911	5,337	4,614	361	427	493	15,498

Mr. Fu Wai Chung is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The Group also provided rent-free accommodation to Mr. Fu Wai Chung for the years ended 31st December, 2014 and 2013. The estimated monetary value of the properties involved, which are owned by the Group, amounted to HK\$840,000 (2013: HK\$840,000).

For both 2014 and 2013, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2014 and 2013.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors of the Company, whose emoluments are included in note 13 above. The emoluments of the remaining individual was as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	956	840
Share-based payments expense	–	1,487
Retirement benefits scheme contributions	15	15
	971	2,342

The emoluments of the remaining individual fell within the following bands:

	Number of individual 2014	2013
Emolument bands		
HK\$0–HK\$1,000,000	1	–
HK\$2,000,001–HK\$2,500,000	–	1
	1	1

15. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividends recognised as distribution during the year:		
2014 Interim — HK1 cent per share (2013: 2013 Interim — HK2.5 cents per share)	5,237	12,231
2013 Final — HK4 cents per share (2013: 2012 Final — HK9 cents per share)	20,948	42,655
	26,185	54,886

During the year, the dividends were settled by cash. During the year ended 31st December, 2013, alternative was offered in respect of the 2012 final dividends. These alternatives were accepted by the majority of shareholders, as follows:

	2014 HK\$'000	2013 HK\$'000
Dividends:		
Cash	–	20,422
Share alternative	–	22,233
	–	42,655

The final dividend of HK3 cents per share in respect of the year ended 31st December, 2014 (2013: final dividend of HK4 cents per share in respect of the year ended 31st December, 2013) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

16. EARNINGS PER SHARE

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

Earnings

	2014 HK\$'000	2013 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	147,121	216,089

Number of shares

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	535,439	485,059
Effect of dilutive potential ordinary shares — Share options	41	1,384
Weighted average number of ordinary shares for the purpose of diluted earnings per share	535,480	486,443

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share for the years ended 31st December, 2014 and 2013.

17. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st January, 2013	35,582
Additions	5,282
Transfer from property, plant and equipment	50,999
Net increase in fair value recognised in profit or loss	30,695
Disposals	(22,455)
Exchange adjustments	2,112
At 31st December, 2013	102,215
Net decrease in fair value recognised in profit or loss	(5,445)
Disposals	(24,002)
Exchange adjustments	(768)
At 31st December, 2014	72,000

17. INVESTMENT PROPERTIES (Continued)

	2014 HK\$'000	2013 HK\$'000
Unrealised gain on property revaluation included in profit or loss (included in change in fair value of investment properties)	3,673	28,564

The investment properties of the Group are held under medium term land use rights in the PRC.

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

The fair values of the Group's investment properties at 31st December, 2014 and 2013 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. BMI Appraisals Limited is a member of the Institute of Valuers. The fair value was determined based on the direct comparison approach, where assuming sales in their existing states with the benefit of vacant possession and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in prior year.

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

One of the key inputs used in valuing the investment properties was the market price per square meter using direct market comparables and taking into account of the differences between the investment properties and the comparables in terms of age, time, location, floor level and other relevant factors, ranging from RMB9,863 to RMB56,069 (2013: ranging from RMB9,025 to RMB68,000) per square meter. An increase in the market price per square meter will result in increase in fair value of the investment properties, and vice versa.

The Group's investment properties are the commercial property units located in PRC and are at Level 3 of the fair value hierarchy as at 31st December, 2014 and 2013.

There were no transfers into or out of Level 3 during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office equipment, furnitures and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1st January, 2013	96,930	353,807	141,586	54,391	646,714
Exchange adjustments	1,495	9,686	3,636	1,431	16,248
Additions	–	24,447	18,091	9,317	51,855
Transfer to investment properties	(40,689)	–	–	–	(40,689)
Disposals	–	(2,470)	(27,557)	(4,014)	(34,041)
At 31st December, 2013	57,736	385,470	135,756	61,125	640,087
Exchange adjustments	(363)	(2,318)	(845)	(355)	(3,881)
Additions	–	27,839	14,343	5,280	47,462
Disposals	–	(1,005)	(12,557)	(4,174)	(17,736)
At 31st December, 2014	57,373	409,986	136,697	61,876	665,932
DEPRECIATION					
At 1st January, 2013	22,234	231,333	86,159	35,142	374,868
Exchange adjustments	344	6,716	2,114	931	10,105
Provided for the year	1,283	46,740	11,487	6,914	66,424
Transfer to investment properties	(9,912)	–	–	–	(9,912)
Disposals	–	(2,470)	(24,850)	(2,733)	(30,053)
At 31st December, 2013	13,949	282,319	74,910	40,254	411,432
Exchange adjustments	(83)	(1,630)	(471)	(228)	(2,412)
Provided for the year	1,286	37,829	10,593	5,684	55,392
Disposals	–	(777)	(11,013)	(2,530)	(14,320)
At 31st December, 2014	15,152	317,741	74,019	43,180	450,092
CARRYING VALUES					
At 31st December, 2014	42,221	92,245	62,678	18,696	215,840
At 31st December, 2013	43,787	103,151	60,846	20,871	228,655

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

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	Over the term of the leases or 5 years, whichever is shorter
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

19. GOODWILL

	HK\$'000
COST	
At 1st January, 2013	15,858
Exchange adjustments	422
At 31st December, 2013	16,280
Exchange adjustments	(102)
At 31st December, 2014	16,178

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual cash generating units (CGUs) from which goodwill arose. The carrying amount of goodwill as at 31st December, 2014 allocated to these units are as follows:

	2014 HK\$'000	2013 HK\$'000
Provision of property management services in the PRC ("Unit A")	3,072	3,091
Provision of real estate agency services in the PRC ("Unit B")	13,106	13,189
	16,178	16,280

During the year ended 31st December, 2014, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12.25% and 13.40% (2013: 13.38% and 16.37%) for Unit A and Unit B, respectively. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 5% (2013: a decelerating growth rate of 10% to 5%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted building management fees and commission income of Unit A and Unit B respectively and respective profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

20. INTEREST IN AN ASSOCIATE

	2014 HK\$'000	2013 HK\$'000
Cost of unlisted investment in an associate	137,230	137,230
Share of post-acquisition losses and other comprehensive expenses	(19,444)	(13,191)
Exchange adjustments	9,883	10,735
	127,669	134,774

As at 31st December, 2014 and 2013, the Group had interests in the following associates:

Name of Entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of nominal value of registered capital held by the Group		Principal activity
					Directly	Indirectly	
Guangzhou Bao Lai Recycle Technology Company Ltd.	Establishment	The PRC	The PRC	Registered	26%	–	Investment holding
Guangzhou Hong Sheng Estate Company Ltd.	Establishment	The PRC	The PRC	Registered	–	13.3% (note)	Property development

Note: As at 31st December, 2014 and 2013, Guangzhou Bao Lai Recycle Technology Company Ltd. held 51% of Guangzhou Hong Sheng Estate Company Ltd. This represents the effective interest held by the Company.

Summarised financial information of an associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements.

The associate is accounted for using the equity method in these consolidated financial statements.

	2014 HK\$'000	2013 HK\$'000
Non-current assets	567,391	2,324,295
Current assets	575,025	105,554
Current liabilities	(399,646)	(1,618,989)
Non-current liabilities	(298,957)	(317,305)
Non-controlling interests	47,222	24,808

20. INTEREST IN AN ASSOCIATE (Continued)

	2014 HK\$'000	2013 HK\$'000
Loss for the year	(46,464)	(48,772)
Other comprehensive (expense) income for the year	(3,278)	14,694
Total comprehensive expense for the year	(49,742)	(34,078)

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

	2014 HK\$'000	2013 HK\$'000
Net assets attributable to the owners of associate	491,035	518,363
Proportion of the Group's ownership interest in attributable to the owners of associate	26%	26%
Carrying amount of the Group's interest in attributable to the owners of associate	127,669	134,774

21. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2014 HK\$'000	2013 HK\$'000
Accounts receivables		
0–30 days	361,895	278,652
31–60 days	207,304	234,017
61–90 days	153,966	194,541
91–120 days	176,771	84,268
121–180 days	94,830	91,616
	994,766	883,094

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK\$94,830,000 (2013: HK\$91,616,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

21. ACCOUNTS RECEIVABLES (Continued)

Ageing of accounts receivables which are past due but not impaired

	2014 HK\$'000	2013 HK\$'000
121–150 days	68,190	49,494
151–180 days	26,640	42,122
	94,830	91,616

Movement in the allowance for doubtful debts

	2014 HK\$'000	2013 HK\$'000
At 1st January	19,069	13,579
Allowances recognised on receivables	7,898	5,490
At 31st December	26,967	19,069

22. LOAN RECEIVABLES

At 31st December, 2014, loan receivables of HK\$229,022,000 (2013: HK\$241,422,000) are unsecured, bear fixed interests ranging from 8% to 24% (2013: 10%) per annum and repayable within one year. During the year, HK\$27,941,000 (2013: HK\$5,583,000) of interest revenue was recognised from the loan receivables.

The loan receivables are guaranteed by independent property owners or entities. The details of the assessment of the creditability of the individuals or entities are set out in note 6b.

Movement in the allowance on loan receivables

	2014 HK\$'000	2013 HK\$'000
At 1st January	2,439	–
Allowances recognised on receivables	1,049	2,439
At 31st December	3,488	2,439

23. HELD FOR TRADING INVESTMENTS

	2014 HK\$'000	2013 HK\$'000
Listed securities: — Equity securities listed in Hong Kong	5,006	9,720

24. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.01% to 3.05% (2013: 0.01% to 0.13%) and have original maturity of three months or less.

The Group's significant bank balances and cash that are not denominated in the functional currencies of the respective entities are as follows:

	2014 HK\$'000	2013 HK\$'000
HK\$	1,149	2,748

25. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise deposits received, receipts in advance, accrued salary and other sundry creditors.

26. BANK BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Secured bank loans	51,572	49,118

The above bank borrowings are all repayable within one year.

As at 31st December, 2014 and 31st December, 2013, bank borrowings of the Group are secured by certain of the Group's investment properties and leasehold land and buildings. Details of pledge of assets are set out in note 30.

The Group's bank borrowings carry interest at fixed and variable rates which are mainly subject to interest at the People's Bank of China plus a spread, ranging from 15%. The ranges of effective interest rates on the Group's borrowings are as follows:

	Year ended 2014	Year ended 2013
Effective interest rate:		
Fixed-rate bank borrowings	7.8%	–
Variable-rate bank borrowings	–	6.9%

As at 31st December, 2014 and 2013, the Group's borrowings are all denominated in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

27. CONVERTIBLE NOTES

On 29th August, 2012, a subsidiary of the Company, having Hong Kong dollar as its functional currency, issued Hong Kong dollar denominated convertible notes with an aggregate principal amount of HK\$218,400,000 due in 2015 bearing interest at the rate of 2.695% per 6-month period payable in arrear. Each note entitles the holder to convert to one ordinary share of the Company at a conversion price of HK\$2.40 per share (subject to anti-dilutive adjustments).

Conversion of principal amount of HK\$48,000,000 may occur at any time between 30th August, 2013 and 28th August, 2015 and the conversion of the remaining HK\$170,400,000 may occur at any time between 1st January, 2013 and 28th August, 2015. From the date which is the next day after the expiry of a 6-month period after the date of the issue of the convertible notes (i.e. 1st March, 2013), if the market price is higher than the reference price of HK\$3.6 per share, the noteholders shall, during the period of 6 months after the market price of a share of the Company first exceeds the reference price, exercise their convertible notes such that an aggregate of HK\$48,000,000 in the principal amount of the convertible notes shall have been exchanged for the shares. If the notes have not been converted, they will be redeemed on 28th August, 2015 at its principal amount with a premium of 30% of the principal amount and accrued interest and unpaid interest thereon.

The convertible notes contain two components, including debt and conversion option (details of the terms are set out in the announcement dated 1st August, 2012). The conversion option component, which will be settled by the exchange of a fixed amount of cash in Hong Kong dollar for a fixed number of the Company's shares, is presented in equity heading "convertible notes equity reserve". The effective interest rate of the debt component is 22.38% per annum.

	HK\$'000
Proceeds of issue	218,400
Debt component at date of issue	(180,158)
Equity component at date of issue	38,242

Movement of convertible notes is as follows:

	Debt Component HK\$'000
At 1st January, 2013	192,951
Interest charge calculated at an effective rate of 22.38%	41,673
Interest paid	(11,836)
At 31st December, 2013	222,788
Interest charge calculated at an effective rate of 22.38%	40,772
Interest paid	(10,825)
Conversion during the year	(50,363)
At 31st December, 2014	202,372

27. CONVERTIBLE NOTES (Continued)

	2014 HK\$'000	2013 HK\$'000
Analysed for reporting purposes as		
Current liability	202,372	48,964
Non-current liability	–	173,824
	202,372	222,788

In November, 2013, the market price of a share of the Company was higher than the reference price. Accordingly, the noteholders had to exercise their conversion rights to convert an aggregate principal amount of convertible notes of HK\$48,000,000 to exchange for the shares of the Company, during the period of six months after the market price of a share of the Company first exceeds the reference price. At 31st December, 2013, the debt component of that portion of convertible notes amounting to HK\$48,964,000 was classified as a current liability accordingly.

During the year ended 31st December, 2014, that aggregate principal amount of convertible notes of HK\$48,000,000 were converted into ordinary shares at HK\$2.2454 per share, resulting in the issue of 21,377,037 ordinary shares (note 28).

Movement of equity component is as follows:

	Equity component HK\$'000
At 1st January, 2013 and 31st December, 2013	38,242
Conversion during the year	(7,282)
At 31st December, 2014	30,960

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

28. SHARE CAPITAL

	Number of shares	Nominal amounts HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2013	478,518,865	4,785
Exercise of share options (note a)	14,578,000	146
Shares issued for scrip dividend (note b)	7,856,007	79
At 31st December, 2013	500,952,872	5,010
Exercise of share options (note a)	1,372,000	14
Issue of new ordinary shares (note c)	133,000,000	1,330
Shares issued due to conversion of convertible notes by a noteholder (note 27)	21,377,037	213
At 31st December, 2014	656,701,909	6,567

Notes:

- (a) During the year ended 31st December, 2014, a total of 1,372,000 (2013: 14,578,000) share options of the Company had been exercised at the aggregate consideration of HK\$3,499,000 (2013: HK\$37,174,000). Details of the movement in share options were set out in note 32.
- (b) During the year ended 31st December, 2013, 7,856,007 shares of HK\$0.01 each in the Company were issued at HK\$2.83 cents per share to the shareholders of the Company who elected to receive scrip shares in lieu of cash, for the final dividend for the year ended 31st December, 2012.
- (c) Pursuant to subscription agreements entered into between the Company and China-net Holding Ltd. ("China-net") and Sou Fun Holdings Limited ("Sou Fun") on 12th September, 2014, 42,000,000 and 91,000,000 shares of HK\$0.01 each in the Company were issued at HK\$3.00 per share to China-net and SouFun respectively. China-net is a company incorporated in the British Virgin Islands ("BVI") which is 100% owned by the Chairman of the Company, Mr. Fu Wai Chung. SouFun was an independent third party of the Company.

The new shares issued rank pari passu in all aspects with the existing shares in issue.

29. DEFERRED TAX LIABILITIES

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

	Revenue recognised for accounting purpose but not for tax purpose HK\$'000	Fair value of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1st January, 2013	5,064	–	23,592	28,656
Charge to other comprehensive income	–	8,573	–	8,573
Charge to profit or loss (note 11)	8,115	6,793	953	15,861
Exchange adjustments	251	215	539	1,005
At 31st December, 2013	13,430	15,581	25,084	54,095
Release upon disposal of investment properties	–	(5,638)	–	(5,638)
Charge to profit or loss (note 11)	8,412	1,707	(2,041)	8,078
Exchange adjustments	(53)	(113)	(66)	(232)
At 31st December, 2014	21,789	11,537	22,977	56,303

At 31st December, 2014, the Group's PRC subsidiaries had unused tax losses of HK\$30,459,000 (2013: HK\$77,183,000) available for offset against future profits. An analysis of the expiry dates of the tax losses is as follows:

	2014 HK\$'000	2013 HK\$'000
2014	–	51,711
2015	14,132	14,166
2016	1,378	2,740
2017	3,142	3,882
2018	3,501	4,684
2019	8,306	–
	30,459	77,183

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of HK\$55,241,000 (2013: HK\$40,630,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$1,323,245,000 (2013: HK\$1,083,775,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

30. PLEDGE OF ASSETS

The Group had pledged the following assets for banking facilities granted to the Group:

	2014 HK\$'000	2013 HK\$'000
Investment properties	16,440	39,557
Leasehold land and buildings	25,114	34,402
	41,554	73,959

31. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK\$140,718,000 (2013: HK\$124,362,000).

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

	2014 HK\$'000	2013 HK\$'000
Within one year	150,268	87,734
In the second to fifth year inclusive	122,792	122,056
Over five years	5,713	19,601
	278,773	229,391

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to ten years (2013: one to eight years).

The Group as lessor

Property rental income, net of negligible outgoings, earned during the year was HK\$3,421,000 (2013: HK\$2,526,000). All of the investment properties held have committed tenants for the next one to nine years (2013: one to ten years).

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

	2014 HK\$'000	2013 HK\$'000
Within one year	3,247	1,793
In the second to fifth year inclusive	10,989	2,116
Over five years	688	570
	14,924	4,479

32. SHARE OPTIONS SCHEME

The Company's share option scheme (the "Old Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. The Old Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and expired on 23rd June, 2014. The Company's new share option scheme (the "New Scheme"), was adopted pursuant to a resolution passed in an annual general meeting on 6th June, 2014. Under the New Scheme, the board of directors of the Company (the "Board") may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The New Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 6th June, 2014.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK\$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the executive directors, the New Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company.

Pursuant to the New Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company as at the date of adoption of the New Scheme i.e. 52,370,190 shares. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million within any 12-month period must be approved in advance by the Company's shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

32. SHARE OPTIONS SCHEME (Continued)

The outstanding share options granted under the Old Scheme shall continue to be valid and exercisable.

The following table disclose movements of the Company's share options under the Old Scheme held by directors and employees during the year, all the options have vesting date of 2nd July, 2013, exercisable period from 15th July, 2013 to 31st December, 2016 and exercise price of HK\$2.55 per share:

Directors	Outstanding at 1st January, 2014	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31st December, 2014
Ms. FU Man	4,400,000	-	-	-	4,400,000
Mr. LO Yat Fung	3,920,000	-	-	-	3,920,000
Mr. LAM King Pui	296,000	-	-	-	296,000
Directors in aggregate	8,616,000	-	-	-	8,616,000
Employees in aggregate	6,406,000	-	(2,178,000)	(1,372,000)	2,856,000
Total	15,022,000	-	(2,178,000)	(1,372,000)	11,472,000
Exercisable at the end of the year					11,472,000
Weighted average exercise price	HK\$2.55	N/A	HK\$2.55	HK\$2.55	HK\$2.55

The following table disclose movements of the Company's share options held by directors and employees during the prior year, all the options have vesting date of 2nd July, 2013, exercisable period from 15th July, 2013 to 31st December, 2016 and exercise price of HK\$2.55 per share:

Directors	Outstanding at 1st January, 2013	Granted during the year	Exercised during the year	Outstanding at 31st December, 2013
Mr. FU Wai Chung	-	440,000	(440,000)	-
Ms. NG Wan	-	440,000	(440,000)	-
Ms. FU Man	-	4,400,000	-	4,400,000
Mr. LO Yat Fung	-	4,400,000	(480,000)	3,920,000
Mr. LAM King Pui	-	440,000	(144,000)	296,000
Mr. NG Keung	-	440,000	(440,000)	-
Mrs. WONG LAW Kwai Wah, Karen	-	440,000	(440,000)	-
Directors in aggregate	-	11,000,000	(2,384,000)	8,616,000
Employees in aggregate	-	18,600,000	(12,194,000)	6,406,000
Total	-	29,600,000	(14,578,000)	15,022,000
Exercisable at the end of the year				15,022,000
Weighted average exercise price	N/A	HK\$2.55	HK\$2.55	HK\$2.55

32. SHARE OPTIONS SCHEME (Continued)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$3.00 (2013: HK\$3.03).

No options were granted during the year ended 31st December, 2014. During the year ended 31st December, 2013, options were granted on 2nd July, 2013. The estimated fair values of the options granted on the date was HK\$19,945,000.

The fair value was calculated using the Binomial Option Pricing model. The inputs into the model were as follows:

	2nd July, 2013
Closing share price as at the date of grant	HK\$2.50
Exercise price	HK\$2.55
Expected volatility	51.19%
Expected life	3.499 years
Risk-free rate	0.719%
Expected dividend yield	5.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$19,945,000 for the year ended 31st December, 2013 in relation to share options granted by the Company.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs which limited to HK\$18,000 (2013: HK\$15,000) per annum of each individual employee to the Scheme, where contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The contributions paid and payable to the schemes by the Group in respect of the year which were charged to profit or loss amounted to HK\$101,987,000 (2013: HK\$88,771,000).

34. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2014 HK\$'000	2013 HK\$'000
Fees, salaries and other benefits	10,362	8,905
Share-based payments expense	–	8,860
Retirement benefits scheme contributions	72	75
	10,434	17,840

The remuneration of key management including directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

35. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2014, the convertible notes with aggregate principal amount of HK\$48,000,000 had been converted into 21,377,037 ordinary shares of the Company. Details of the transaction are set out in note 27.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out as below:

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a)		Principal activities	Place of operation
				2014 %	2013 %		
Guangdong Hope Real Properties Limited (note b)	The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou New Profits Properties Agency Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (BVI) Limited (note c)	BVI	N/A	US\$100	100	100	Investment holding	Hong Kong
Sino Estate Holdings Limited (note c)	BVI	N/A	US\$100	100	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (China) Real Properties Consultancy Limited (note c)	The PRC	Registered	HK\$75,000,000	100	100	Provision of real estate agency services	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent Properties Limited (note c)	Hong Kong	Ordinary	HK\$100	100	100	Provision of real estate agency services	Hong Kong
Hopefluent Promotion Limited (note c)	Hong Kong	Ordinary	HK\$100	100	100	Provision of advertising and marketing services	Hong Kong
Hopefluent (Hong Kong) Limited (note c)	Hong Kong	Ordinary	HK\$100,000	100	100	Investment holding	Hong Kong

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a)		Principal activities	Place of operation
				2014 %	2013 %		
Foshan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Dongguan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hubei Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Shanghai Hope Realty Consultancy Limited (note b)	The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited (note b)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Asia Asset Property (China) Limited (note c)	Hong Kong	Ordinary	HK\$5,323,000	80	80	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd (note b)	The PRC	Registered	US\$630,000	80	80	Provision of property management services	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd (note b)	The PRC	Registered	RMB5,000,000	80	80	Provision of property management services	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd (note b)	The PRC	Registered	HK\$5,000,000	80	80	Provision of property management services	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB2,000,000	100	100	Provision of real estate agency services	The PRC
Bola Realty Guarantee (Guangzhou) Limited (note c)	The PRC	Registered	RMB101,000,000	100	97	Provision of mortgage referral services	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a)		Principal activities	Place of operation
				2014 %	2013 %		
Guangdong Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB5,000,000	100	100	Provision of real estate agency services	The PRC
Henan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Jinan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB2,010,000	100	100	Provision of real estate agency services	The PRC
Anhui Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Jun Hua Auction (Guangzhou) Limited (note c)	The PRC	Registered	RMB12,000,000	80	80	Provision of property auction services	The PRC
Guangzhou Bright Profits Properties Agency Limited (note c)	The PRC	Registered	RMB2,000,000	72.5	72.5	Provision of real estate agency services	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou Wanjia Properties Agency Ltd. (note d)	The PRC	Registered	RMB2,000,000	100	92	Provision of real estate agency services	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou Chun Wui Investment Consultancy Ltd. (note c)	The PRC	Registered	HK\$30,000,000	100	100	Investment holding	The PRC
Firstnet Group Ltd. (note c)	BVI	Ordinary	US\$1.00	100	100	Investment holding	Hong Kong

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/registered capital/ share capital	Attributable equity interest (note a)		Principal activities	Place of operation
				2014 %	2013 %		
Top Trade International Investment Ltd. (note c)	Hong Kong	Ordinary	HK\$1.00	100	100	Investment holding	Hong Kong
Guangzhou Hopefluent Recycle Technology Company Limited (note c)	The PRC	Registered	HK\$3,000,000	100	100	Investment holding	The PRC
Guangzhou Bao Lai Microcredit Business Limited (note d)	The PRC	Registered	RMB200,000,000	100	92	Provision of microcredit business	The PRC
Hope CBD Realty Consultancy Sdn Bhd	Malaysia	Ordinary	RM50,000	60	60	Provision of real estate agency services	Malaysia

Notes:

- (a) The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.
- (b) The companies are sino-foreign equity joint ventures with limited liability.
- (c) The companies are limited liability companies.
- (d) In the PRC, it does not explicitly permit foreign-invested companies to operate a microcredit business in the PRC. Accordingly, the Group restructured a wholly-owned subsidiary, Guangzhou Wanjia Properties Agency Ltd. ("Guangzhou Wanjia") which was established in the PRC during the year ended 31st December, 2013. After restructuring, the Group held 92% equity interest in Guangzhou Wanjia. The remaining 8% was held by two individuals who are independent to the Group. Besides, the Group also established an entity, Guangzhou Bao Lai Microcredit Business Limited ("Guangzhou Bao Lai Microcredit"), which the Group held 30% equity interest with remaining 70% held by four individuals who are independent to the Group ("Registered Shareholders"). In order to satisfy the relevant PRC laws and regulations relating to the business, Guangzhou Wanjia, Guangzhou Bao Lai Microcredit and the Registered Shareholders have entered into a series of contractual arrangements ("Structural Contracts").

Under these Structural Contracts, the Group is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Guangzhou Bao Lai Microcredit. In summary, the Structural Contracts enable the Group to obtain, through Guangzhou Wanjia with, among other things:

- an exclusive right to acquire, directly or through one or more nominees, from each of the owners of Guangzhou Bao Lai Microcredit, at a consideration based on the contribution to the registered capital of Guangzhou Bao Lai Microcredit as permitted under the applicable laws; and
- the right to control the management and financial and operating policies of Guangzhou Bao Lai Microcredit.

As a result, Guangzhou Bao Lai Microcredit is accounted for as a subsidiary and its financial statements have also been consolidated by the Group.

During the year ended 31st December, 2014, 8% of equity interests of Guangzhou Wanjia held by the two individuals were transferred to the Group at an aggregate consideration of RMB16,000,000 (equivalent to HK\$20,050,000). This equity transfer did not change the contractual arrangements set out above between Guangzhou Wanjia, Guangzhou Bao Lai Microcredit and the Registered Shareholders. As a result, the Group continues to account for Guangzhou Bao Lai Microcredit as a subsidiary and the effective equity interests in Guangzhou Bao Lai Microcredit change from 92% to 100%.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Except for a subsidiary, Hopefluent Properties Limited had issued convertible notes with principal amounting to HK\$170,400,000 (2013: HK\$218,400,000) as disclosed in note 27 which were all held by third parties at the end of 2014, none of the subsidiaries had issued any debt securities at respective reporting dates.

The above table lists the subsidiaries of the Group as at 31st December, 2014 and 2013 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

37. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2014 HK\$'000	2013 HK\$'000
Non-current Assets		
Unlisted investments in subsidiaries	150,478	111,687
Current Assets		
Other receivables	193	192
Amounts due from subsidiaries	679,270	304,378
Bank balances and cash	549	2,246
	680,012	306,816
Current Liabilities		
Accruals	(99)	(69)
Net Current Assets	679,913	306,747
Total Assets less Current Liabilities	830,391	418,434
Capital and Reserves		
Share capital (note 28)	6,567	5,010
Share premium and reserves	801,709	328,178
Total equity	808,276	333,188
Non-current liability		
Derivative financial liability	22,115	85,246
	830,391	418,434

37. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK\$'000	Contributed surplus reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2013	363,310	67,385	–	18,316	(102,582)	346,429
Loss for the year	–	–	–	–	(51,782)	(51,782)
Exchange differences arising on translation	–	–	–	9,290	–	9,290
Total comprehensive income (expense) for the year	–	–	–	9,290	(51,782)	(42,492)
Shares issued on scrip dividend	22,154	–	–	–	–	22,154
Recognition of equity-settled share-based payments	–	–	19,945	–	–	19,945
Exercise of share options	46,869	–	(9,841)	–	–	37,028
Dividends recognised as distribution	(54,886)	–	–	–	–	(54,886)
At 31st December, 2013	377,447	67,385	10,104	27,606	(154,364)	328,178
Profit for the year	–	–	–	–	42,981	42,981
Exchange differences arising on translation	–	–	–	(302)	–	(302)
Total comprehensive (expense) income for the year	–	–	–	(302)	42,981	42,679
Exercise of share options	4,412	–	(927)	–	–	3,485
Dividends recognised as distribution	(26,185)	–	–	–	–	(26,185)
Shares issued due to conversion of convertible notes by a noteholder	57,432	–	–	–	–	57,432
Issue of new ordinary shares	397,670	–	–	–	–	397,670
Expenses incurred in connection with issue of new shares	(1,550)	–	–	–	–	(1,550)
Transfer upon forfeiture of share option granted by the Group	–	–	(1,487)	–	1,487	–
At 31st December, 2014	809,226	67,385	7,690	27,304	(109,896)	801,709

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganisation in 2004 and the nominal amount of the Company's shares issued for the acquisition.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31st December,				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
RESULTS					
Turnover	1,327,796	1,611,013	1,781,635	2,350,527	2,466,784
Profit before tax	254,927	185,099	268,156	325,934	235,489
Income tax expense	(78,584)	(50,304)	(82,498)	(107,356)	(83,344)
Profit for the year	176,343	134,795	185,658	218,578	152,145
Attributable to:					
Owners of the Company	171,494	134,274	186,523	216,089	147,121
Non-controlling interests	4,849	521	(865)	2,489	5,024
	176,343	134,795	185,658	218,578	152,145
ASSETS AND LIABILITIES					
Total assets	1,210,324	1,339,950	1,828,962	2,233,617	2,838,880
Total liabilities	(261,187)	(268,403)	(530,759)	(618,923)	(673,631)
Total equity	949,137	1,071,547	1,298,203	1,614,694	2,165,249
Attributable to:					
Owners of the Company	923,564	1,042,782	1,280,236	1,573,736	2,144,877
Non-controlling interests	25,573	28,765	17,967	40,958	20,372
	949,137	1,071,547	1,298,203	1,614,694	2,165,249