中翔國際集團有限公司

China International Holdings Limited

ANNUAL REPORT 2014

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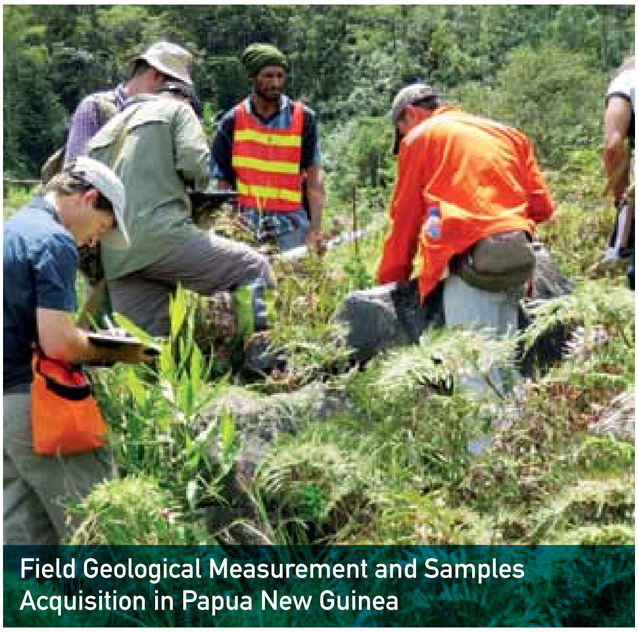
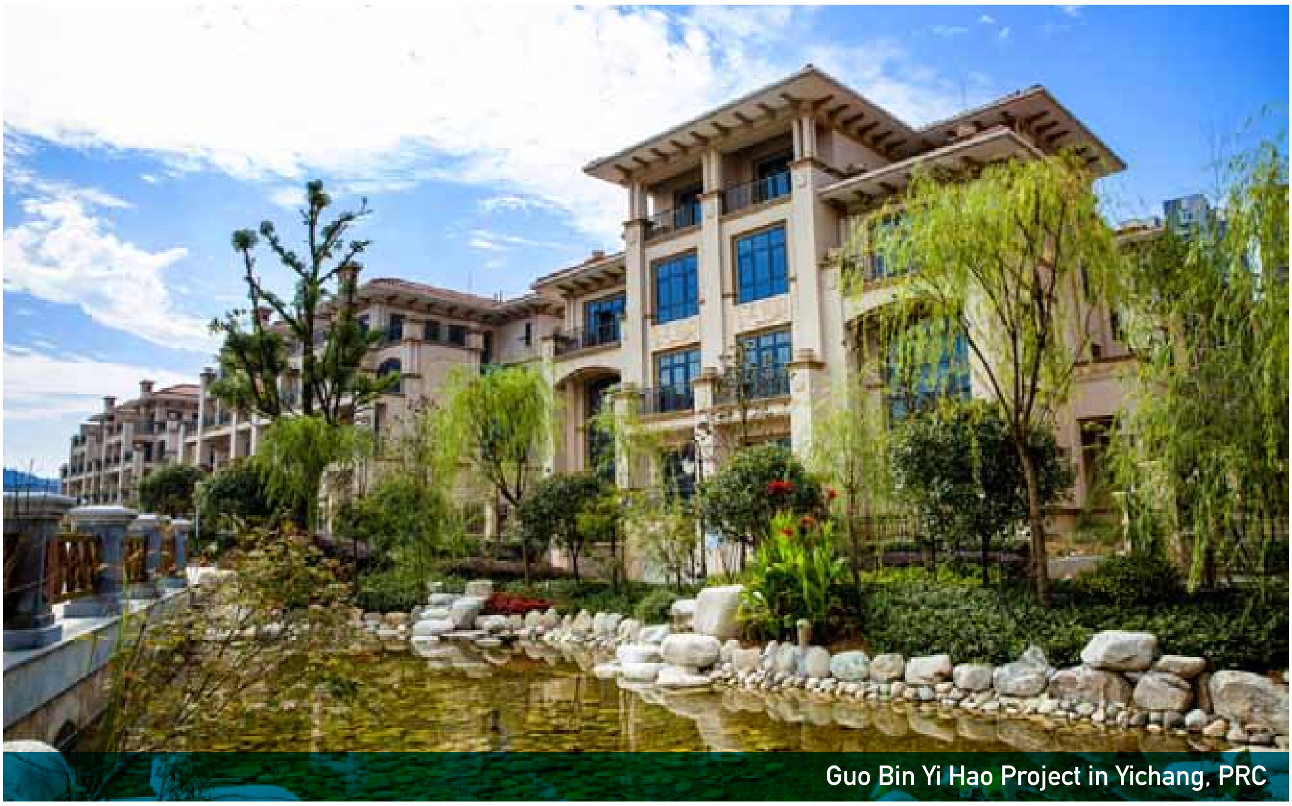
OUR BUSINESSES

Conveying Pump House in Tianjian, PRC



Field Geological Measurement and Samples Acquisition in Papua New Guinea



Guo Bin Yi Hao Project in Yichang, PRC

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I would like to present to you our annual report for the financial year ended 31 December 2014 ("FY2014").

During the year under review, China maintained a tightening policy approach on the property sector. The cooling measures and harsher restrictions imposed on property purchase and mortgage resulted in lower market confidence, causing weaker housing demand for housing in FY2014.

Facing these harsh market conditions, the Group's revenue decreased by 29.9% from RMB155.51 million in FY2013 to RMB109.08 million in FY2014. The decline in revenue was largely attributed to the lower sales achieved by our property developer subsidiary, Yichang Xinshougang Property Development Company Limited.

The Management also made a write-down of RMB51.07 million for development properties held by Yichang Xinshougang Property Development Company Limited to its net realisable value in accordance with IAS 2 - Inventories.

The Group recorded a gross loss of RMB14.32 million in FY2014, which represents a decrease of 125.4% as compared to a gross profit of RMB56.34 million in FY2013.

After taken into account other expenses and finance costs incurred during the year under review, the Group recorded an after tax loss of RMB95.93 million for FY2014 as compared to an after tax profit of RMB20.10 million in FY2013.

BUSINESS REVIEW

Property development has been a key business segment for the Group with the acquisition of Yichang Xinshougang Property Development Company Limited in 2013. Despite the slowdown in sales, Yichang Xinshougang Property Development Company Limited has laid the foundation for recovery in FY2015 as it has obtained the approval for pre-sale of properties under Group 2 of the Phase I development; and the construction of Phase II would be taken place in FY2015. Our Tianjin Jixian property development project has also obtained all the permits to enter into construction phase in FY2015.

As the future demand pickup, our water plant development and operations in Tianjin would be approaching its peak production capacity in the near future, expansion plan has been mapped out in the year under reviewed.

The Liuhe Gold mining project has commenced its commercial operation on trial basis in the 3rd Quarter of FY2014, the output would be gradually rammed up in FY2015.

Our oil and gas exploration project in Papua New Guinea ("PNG") has undertaken a field geological study in 2013 and the further analysis of the samples collected during the field study is still in progress during 2014. In early 2015, the PNG Government has renewed the exploration license held by the associated company of the Group for another five years. Further exploration work and well drilling would be taken place in the years to come.

CHAIRMAN'S STATEMENT

LOOKING AHEAD

Given the uncertain global macroeconomic environment, the overall business conditions will remain challenging for us to operate in. The current significant slowdown in property market and the credit market tightening in China are expected to show sign of relief in the next 12 months, and it would have an impact on the pace of development of many housing and commercial projects in China including our property development projects and water supply service operations. The Group will focus on cash generation from its property development projects in 2015 to improve the profitability and cash flow of the Group.

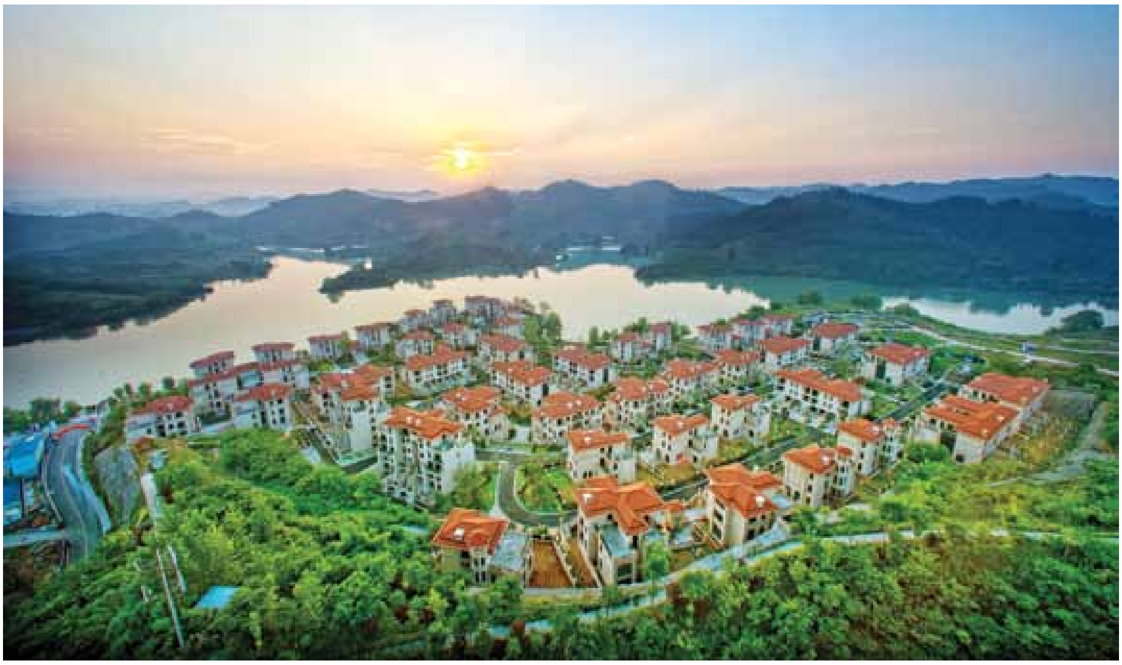
The Group will be formulating strategic plans to maximise the potential returns from the investments in the natural resource segment of business at the appropriate time.

I believe we must remain focused and positive, despite an uncertain economic outlook. I am confident that we would have the capability to create values for our shareholders.

A NOTE OF APPRECIATION

On behalf of the Board, I express gratitude to all our shareholders, management, customers, business partners and our employees for your unyielding faith, support and contribution to the Group during these challenging times. I hope you will continue to standby us as we do our utmost to bring the Group back into profitable track. I also wish to thank my fellow Directors for their invaluable inputs and counsel rendered to the Company during the year. In particular, I thank Mr Fong Weng Khiang, non-executive independent director, who is leaving at the AGM, for his over nine years of service on the Board, including the Chairmanship of the important Audit Committee.

Shan Chang
Chairman



BOARD OF DIRECTORS

SHAN CHANG

Mr Shan is one of the founders and the Chairman of the Company. Mr Shan has over 20 years of experience in the construction industry in the PRC and Hong Kong and more than 10 years business and financial management experience in listed companies. Mr Shan is the Chairman of CIGIS (China) Ltd. Mr Shan holds an Executive Master of Business Administration degree from the Tsinghua University, a Master of Science degree in Engineering from the China Academy of Railway Science and a Bachelor of Science degree in Engineering from the Tong Ji University. Age 55.

FONG WENG KHIANG

Mr Fong was appointed as an Independent Director on 14 January 2006. Mr Fong has more than 24 years of working experience in the building industry and property development. He had stationed in China between 1994 and 2000, served as Regional Director for a multinational conglomerate headquartered in Singapore. Mr Fong holds a Bachelor of Science (Building) degree from the University of Singapore, a Master of Science (International Construction Management) degree from the Nanyang Technological University, and has a postgraduate Diploma in Financial Management conferred by New York University and the Singapore Institute of Management. Age 61.

ZHANG RONG XIANG

Mr Zhang is one of the founders of the Company. Mr Zhang was re-appointed as Managing Director of the Company on 26 April 2012. Mr Zhang has more than 20 years of experience in construction, civil engineering and seismic studies in the PRC and Hong Kong, including 15 years with the Comprehensive Institute of Site Investigation and Surveying, Ministry of Construction of the PRC. Mr Zhang holds an Executive Master of Business Administration degree from the Peking University, a Master of Science degree in Engineering from the China Academy of Building Research and a Bachelor of Engineering degree from the Hefei University of Technology. Mr Zhang is a member of the Council of the Architectural Society of China, a Registered Engineer for Construction Supervision and Registered Civil Engineer (Geot.) in the PRC. Age 52.

ZHU JUN

Mr Zhu joined the Company in April 2003 and was re-appointed as Executive Director of the Company on 25 April 2013. Mr Zhu is responsible for the business development and financial matter of the Group. Mr Zhu also sits on the Board of United Energy Group Co. Ltd. Prior to joining the Company, Mr Zhu worked in banking, financial and capital market sector for more than 14 years as a senior executive. He served as Assistant Director of SINOLINK Worldwide Holdings Limited, a company listed on the Hong Kong Stock Exchange, for about 5 years. Mr Zhu holds a Master and a Bachelor degree in Economics from the Peking University. Age 49.

BOARD OF DIRECTORS

CHEE TECK KWONG PATRICK

Mr Chee Teck Kwong Patrick, PBM, was appointed as an Independent Director on 16 June 2008. Mr Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. Mr Chee is admitted as a Solicitor of the Senior Courts of England and Wales. Since 1980 he has been an advocate and solicitor of the Supreme Court of the Republic of Singapore. He is now practicing as a Senior Legal Consultant with KhattarWong LLP. Mr Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators and Singapore Institute of Directors. He also sits on the Board of Hanwell Holdings Limited, CSC Holdings Limited, Ramba Energy Limited, Tat Seng Packaging Group Ltd, Hai Leck Holdings Limited and Hengxin Technology Ltd. Mr Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club. Mr Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masayarakat) from the President of Republic of Singapore. Age 61.

SHEN XIA

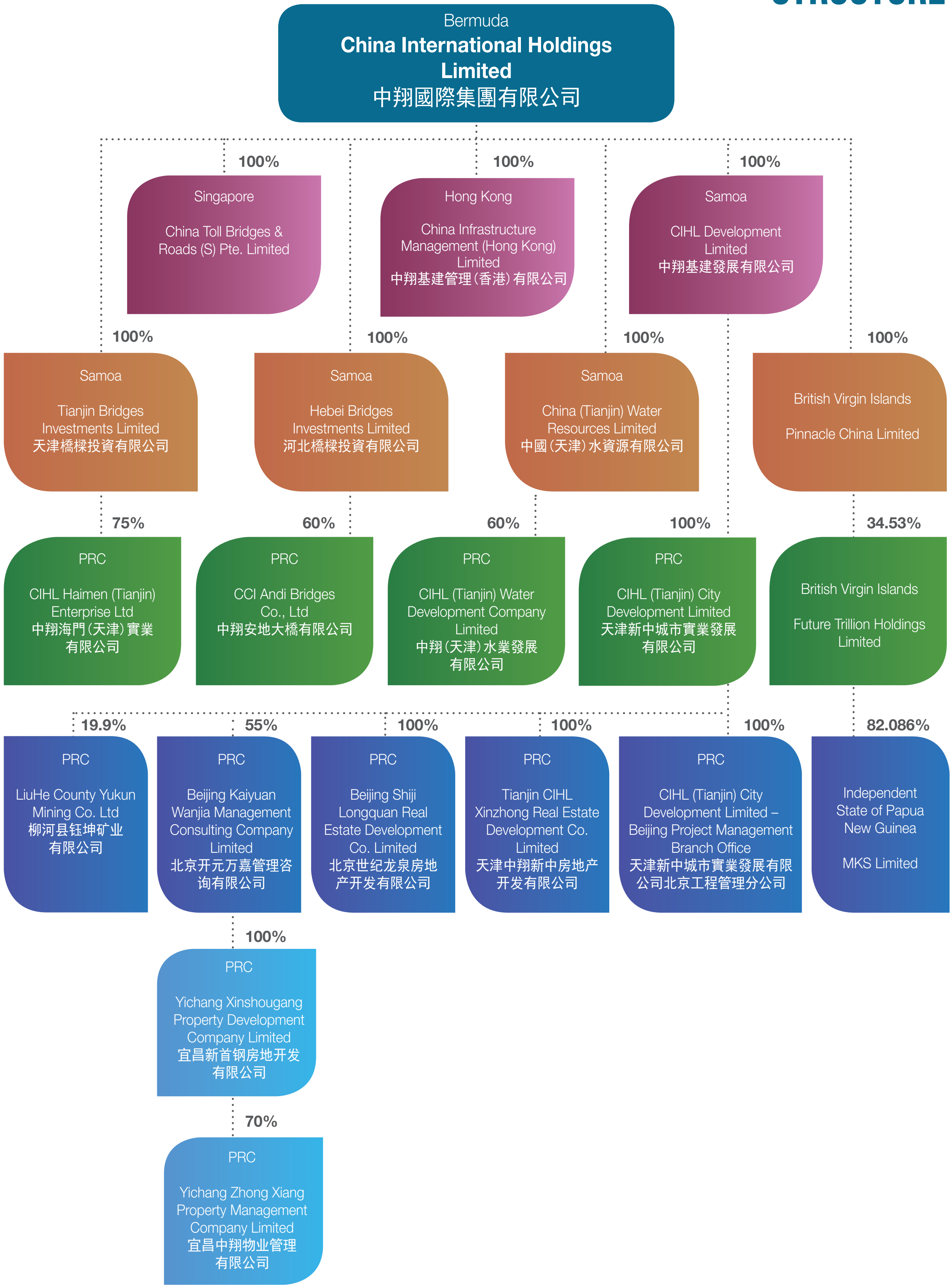
Mr Shen joined the Company in May 2010 and was appointed as Chief Financial Officer on 15 August 2014. Mr Shen is responsible for corporate finance and natural resources business operations of the Group. Prior to joining the Company, Mr Shen had more than 18 years of experience in investment banking focusing on natural resources sector. Mr Shen holds a Master degree from University of Oxford in England and a Bachelor degree from Zhejiang University in Hangzhou, China. Age 52.

KEY MANAGEMENT

YANGE HAN

Ms Han was appointed as Company Secretary on 19 July 2010. Prior to joining the Company, Ms Han had over 14 years of experience in auditing, consulting and corporate finance in the US and China as a Director with PricewaterhouseCoopers and two years as an Executive Director with NYSE Euronext. Ms Han holds post-baccalaureate degree in Business Administration from University of Washington and a Bachelor of Arts degree from China Communication University. Ms Han is a Certified Public Accountant in the State of California in the US. Ms Han stepped down as Chief Financial Officer on 15 August 2014 and remains as Company Secretary of the Company. Age 47.

CORPORATE STRUCTURE



CORPORATE INFORMATION

DIRECTORS

Mr Shan Chang,
Non-Executive Chairman
Mr Fong Weng Khiang,
Independent Deputy Chairman
Mr Zhang Rong Xiang,
Managing Director
Mr Zhu Jun,
Executive Director
Mr Chee Teck Kwong Patrick,
Independent Director
Mr Shen Xia,
Executive Director and Chief Financial Officer

COMPANY SECRETARIES

Ms Yange Han
Ms Claudia Teo Kwee Yee

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Philip Tan Jing Choon
(since financial year ended 31 December 2012)

HONG KONG OFFICE

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PRC 100081

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www.CIHGRP.net

SHARE REGISTRAR

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Hamilton HM 11
Bermuda

SHARE TRANSFER AGENT

Boardroom Corporate &
Advisory Services (Pte) Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda
Telephone: 1 441 295 5950
Fax: 1 441 292 4720

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
HSBC Hongkong

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors and Management of China International Holdings Limited (the "Company") are committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long term shareholder value are met.

This Report sets out the Company's corporate governance processes with reference to the guidelines of the Code of Corporate Governance 2012 ("2012 Code"). The Company confirms that it has adhered to the principles and guidelines as set out in the 2012 Code, where applicable.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.

The Board of Directors ("Board") oversees Management and ensures that long–term interests of shareholders' are served. The Board's role is to:

- set the Group's values and standards and provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets; and
- review Management performance.

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct. All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructurings, mergers and acquisitions, share issuances, dividend and major corporate policies on key areas of operation, the release of quarterly, half yearly and full year results and interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) (each, an "IPT") of a material nature.

The Board meets on regular basis and as and when necessary to address any specific significant matters that may arise. Ad hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Attendance by means of telephone or conference via electronic communications at Board meetings is allowed under the Company's Bye-laws which permits all parties participating in the meeting to communicate with each other simultaneously.

STATEMENT OF CORPORATE GOVERNANCE

To assist the Board in the discharge of its responsibilities, the Board has established four Board Committees, namely Nominating Committee ("NC"), Remuneration Committee ("RC"), Audit Committee ("AC") and Risk Management Committee ("RMC"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Committee.

Directors are provided with regular updates, particularly on relevant new laws and regulations by the Company Secretaries. The Directors also have access to the advice and services of the Company Secretaries and Management, and may in appropriate circumstances, seek independent professional advice concerning the Group's affairs. Directors also have the opportunity to visit the Group's subsidiaries and meet with Management to gain a better understanding of the Group's business operations and governance practices.

Upon appointment of a new Director, the Company would issue a formal letter of appointment setting out the statutory and other duties and obligations of the Director. The Company will conduct briefings for new Directors to orientate them on the Group's operations and furnish them with information and updates on the Group's corporate governance practices.

The number of Board meetings and Board committee meetings held during the financial year ended 31 December 2014 and the attendance of each Director where relevant are as follows:

Name of Director	Board Meetings	AC Meetings	NC Meetings	RC Meetings	RMC Meetings
Number of Meetings	4	5	1	1	2
Mr Shan Chang	4	4	1	1	2
Mr Fong Weng Khiang	4	5	1	1	–
Mr Zhang Rong Xiang	4	–	–	–	2
Mr Zhu Jun	4	–	–	–	–
Mr Chee Teck Kwong Patrick	4	5	1	1	–
Mr Shen Xia	4	–	–	–	2

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently has six Directors, half of whom consists of independent directors and a non-executive director. Their collective experience and contributions are valuable to the Company. The Directors as at the date of this report are as follows:

Name of Directors	Position
Mr Shan Chang	Non-Executive Chairman
Mr Fong Weng Khiang	Independent Director and Deputy Chairman
Mr Zhang Rong Xiang	Managing Director
Mr Zhu Jun	Executive Director
Mr Chee Teck Kwong Patrick	Independent Director
Mr Shen Xia	Executive Director

The NC reviews the size and composition of the Board on an annual basis. The NC also reviews the independence of each Director for the financial year ended 31 December 2014 based on the 2012 Code's definition of what constitutes an Independent Director. The Board is of the view that the current board size is appropriate for the Company's business nature and scope of operations. The Board is of the view that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision–making.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board and its Board Committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Group.

Non–executive and independent members of the Board exercise no management functions in the Company or its subsidiary. Although all the Directors have an equal responsibility for the Group's operations, the role of these non– executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and take into account the long term interests of the Shareholders, as well as the interests of employees, customers, suppliers and the many communities in which the Group conducts business. The Non– executive Directors help to develop proposals on strategies, business operations and practices of the Group and review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

The Independent Directors are encouraged to meet, without the presence of Management, and do so at least once a year, so as to be a more effective check on Management.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and Managing Director are separate, with a clear division of responsibilities between the two directors.

Our Non–Executive Chairman, Mr Shan, plays a pivotal role in steering the strategic direction and growth of the business, as he has considerable business experience. He also ensures information flow between Management and the Board, while the Managing Director, Mr Zhang, assumes full executive responsibilities over the business directions and operational decisions of the Group.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three Directors, a majority of whom, including the Chairman, are independent. The NC members are:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Fong Weng Khiang
Mr Shan Chang

The Chairman of NC is not a substantial shareholder of the Company and is not associated in any way with the substantial shareholders of the Company. The NC holds at least one meeting per year.

STATEMENT OF CORPORATE GOVERNANCE

The NC has written terms of reference that describe the responsibilities of its members. The NC is responsible for reviewing the Board's composition and effectiveness and determining whether Directors possess the requisite qualifications and expertise and whether the independence of Directors is compromised.

All appointments and re-appointments of Directors are first reviewed and considered by the NC and then recommended for approval by the Board. The NC has formalized this process and has adopted procedures for the selection, appointment and re-appointment of Directors, in order to increase transparency of the nominating process.

The NC will evaluate the balance of skills and competencies on the Board and in consultation with the Chairman of the Board and Management, determine the desired skill sets and qualities for a particular appointment.

The NC is also tasked to assess the effectiveness and contributions of the Board and its members to the strategic growth and development of the Company. In doing so, the NC determines how the Board's performance may be evaluated, and proposes objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each director.

Where a director has multiple board representations, the NC will evaluate annually whether or not a director is able to and has been adequately carrying out his duties as director of the Company based on internal guidelines such as attendance, contactability and responsiveness. Despite some of the Directors having other board representations, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

The Directors submit themselves for re–nomination and re–election as Directors at regular intervals of at least once every three years. Pursuant to Bye–law 104 of the Company's Bye–Laws, one–third of the Directors are to retire from office by rotation at the Company's Annual General Meeting ("AGM"). In addition, pursuant to the Bye–Laws of the Company, a newly appointed director must retire and submit himself for re–election at the next AGM following his appointment.

The NC has reviewed the independence of each Director for FY2014 in accordance with the Code's definition of independence and is of the opinion that Mr Fong Weng Khiang and Mr Chee Teck Kwong Patrick are independent.

The NC oversees the selection and appointment of new directors. The process includes the identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability before recommending for nomination to the Board.

The following are the information relating to the date of appointment of the Directors and the date of their last re–election:

	Date of first appointment	**Date of last re-election**
Mr Shan Chang	7 Nov 1998	29 April 2014
Mr Fong Weng Khiang	14 Jan 2006	26 April 2012
Mr Zhang Rong Xiang	15 Jan 1999	26 April 2012
Mr Zhu Jun	25 Jun 2003	25 April 2013
Mr Chee Teck Kwong Patrick	16 Jun 2008	29 April 2014
Mr Shen Xia	17 May 2010	25 April 2013

Mr Zhang Rong Xiang has given his consent for re–election as an Executive and Managing Director of the Company. The NC has recommended that Mr Zhang Rong Xiang who is retiring at this forthcoming AGM, for re-election as an Executive and Managing Director of the Company.

Mr. Fong Weng Khiang, after serving on the Board over 9 years from the date of his appointment as an Independent Director of the Company, had informed the Board that he will not be seeking for re-election and will retire as a Director of the Company at the close of the Company's Annual General Meeting to be held on 29 April 2015.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as a Director.

Key information of the Directors can be found on Page 4 and 5 of this Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has adopted an evaluation questionnaire to assess the performance and effectiveness of the Board as a whole. It focuses on a set of performance criteria, which includes the size and composition of the Board, the Board's access to information, efficiency and effectiveness of Board processes and accountability, as well as directors' standards of conduct. The findings are then collated and analysed, and thereafter present to the NC for discussion and the NC will make its recommendation to the Board.

Although the Directors are not evaluated individually, the factors taken into considerations for the re–nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The review of the Board performance is undertaken collectively by the Board annually.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on–going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive a regular supply of detailed information from management concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management, so that they are equipped to play a full part as far as possible in Board meetings. The Board papers include sufficient information from management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings.

The Board members have separate and independent access to the Management of the Company and of the subsidiaries and the Company Secretaries on all matters whenever they deem necessary, and vice versa. They have been provided with sufficient background and explanatory information for the assessment of the matters to be brought before the Board.

At least one of the Company Secretaries attends all Board and Board Committee Meetings and prepares the minutes of meetings.

If necessary, the Company will, upon the request of Directors (whether as a group or individually), provide them with independent professional advice, at the Company's expense to enable the Directors to discharge their duties.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following Directors, a majority of whom, including the Chairman, are independent:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Fong Weng Khiang
Mr Shan Chang

The RC holds at least one meeting per year. The key functions of the Remuneration Committee under the Terms of Reference are, inter alia:

(a) to recommend to the Board a framework of remuneration for the Board and executive officers, and to determine specific remuneration packages for each executive director; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(b) in the case of service contracts, to consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of any share option schemes or performance share plans as may be implemented, to consider whether directors should be eligible for benefits under such incentive schemes.

The members of the RC shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his own remuneration.

The RC also has access to independent and professional advice on remuneration matters, if required.

The RC reviews the terms and conditions of service agreements of the Executive Directors before their execution.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The directors' fees paid to the Directors each year will be subject to the shareholders' approval at the forthcoming annual general meeting ("AGM").

The remuneration for the Company's Executive Directors and key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The annual review of the remuneration package of Directors will be carried out by the RC to ensure that the remuneration of the Executive Directors and key senior management commensurate with their performance, giving due consideration to the financial and commercial health and business needs of the Group.

The performance of the Managing Director (together with other key senior executives) will be reviewed periodically by the RC and the Board.

The Company has established the CIHL Employee Share Option Scheme (the "ESOS") in 2010 as a long-term incentive scheme for directors and employees of the Group. The RC is tasked to review the grant of options under the ESOS. The Company has to-date, has granted a total of 98,500,000 Share options.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The fees and remuneration paid (other than share options granted) to each of the Directors and key executives of the Company for the financial year ended 31 December 2014 disclosed in the respective bands are set out below.

	Fee	Salary	Allowance	Contractual wage supplement	Total
	%	%	%	%	%
Directors					
Below S$250,000					
Mr Shan Chang	100	–	–	–	100
Mr Fong Weng Khiang	87	–	13	–	100
Mr Zhang Rong Xiang	22	72	–	6	100
Mr Zhu Jun	30	41	24	5	100
Mr Chee Teck Kwong Patrick	85	–	15	–	100
Mr Shen Xia	20	55	20	5	100
Key Executive					
Below S$250,000					
Ms Yange Han[1]	–	92	–	8	100

(1) Ms Yange Han stepped down as Chief Financial Officer of the Company on 15 August 2014 and remains as Company Secretary of the Company.

The Board is of the view that given the confidentiality and commercial sensitivity attached to remuneration matters, the aggregate remuneration for each director and for the only key executive would not be disclosed.

The service period of the Managing Director is for a period not exceeding a fixed term of 5 years as per the Bye–Laws of the Company. The service contract of the Executive Directors is for a period of three years and the contract can be terminated by giving the other party not less than 6 months' notice or payment in lieu of notice.

There are no employees of the Group who are immediate family members of a Director, the Managing Director or a substantial shareholder, and whose remuneration exceeds S$50,000 during the financial year ended 31 December 2014.

In deriving and approving appropriate remuneration packages, the RC is mindful of factors such as employment conditions within the industry, roles and responsibilities of the individuals and the need to link reward to performance. The Company has also put in place a share option scheme and a performance share plan for executives as part of its remuneration mix and as a staff–retention tool. Details of the share option scheme are found under the Directors' Report.

The Company had adopted the CIHL Share Option Scheme (the "SOS") on 8 March 2010. The SOS is administered by the RC. During the year, the Company has granted 54 million options. Details of the SOS can be found on page 23 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board adopted the principle that the Board is accountable to the shareholders while the management is accountable to the Board. The Board is committed to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a periodic basis and to keep shareholders informed of significant developments of the Company's operations. The monthly financial information is available for the Board members to review on a periodic basis.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of sound internal controls and risk management practices. The Board affirms that its overall responsibility for the Group's systems of internal controls and risk management. In this regard, the Board:

- ensures that Management maintains a sound systems of risk management to safeguard shareholders' interests and the Group's assets;
- determines the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;
- determines the Company's levels of risk tolerance and risk policies;

- oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and

- reviews annually the adequacy and effectiveness of the risk management and internal control systems.

The AC has met with the management, internal and external auditors once during the financial year to review the internal and external auditors' audit plans. During the financial year, the Group's internal auditors had conducted an annual review of the effectiveness of the Group's internal controls. The review was conducted based on the plan approved by the AC. The external auditors, during the conduct of their normal audit procedures, may also report on matters relating to internal controls. Any material non-compliance and recommendation for improvement will be reported to the AC.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC has assisted the Board to conduct periodic reviews on the adequacy of the system of internal controls of the Group, which reviews the areas of financial, operational and compliance risks.

Relying on the reports from the internal and external auditors and management representation letters, the AC carries out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

For FY2014, the Board has received assurance from the Managing Director and Chief Financial Officer of the Company (by way of representation letter) that:

- the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

- the system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) is adequate and effective in addressing the material risks in the Group in its current business environment.

Material associates and joint ventures which the Company does not control, are not dealt with for the purposes of this statement.

Based on the various management controls put in place and the reports from the internal and external auditors, and reviews by the management and the Management representation letters, the Board with the concurrence of the AC is of the opinion that the system of internal controls addressing financial, operational and compliance risks are adequate in meeting the needs of the Group and provide reasonable assurance against material financial misstatements or material loss and to safeguard the Group's assets.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

The Board had established the Risk Management Committee comprising three Directors. The RMC members are:

Mr Shan Chang (Chairman)
Mr Zhang Rong Xiang
Mr Shen Xia

The RMC holds at least two meetings a year. The RMC assists the Board in fulfilling its oversight responsibilities on risk management. The key functions of the Risk Management Committee under terms of Reference are, inter alia:

(a) to review the overall risk management system and process and make recommendations on changes as and when considered appropriate;

(b) to review the Group's risk policies, guideline and limits; and

(c) to review periodically the Group's material risk exposures and evaluate the adequacy and effectiveness of the mitigating measures implemented by management.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Directors, a majority of whom, including the Chairman is independent. The AC members are:

Mr Fong Weng Khiang (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

The AC members have many years of experience in board of directors and senior management positions. The Board is of the view that the AC members have sufficient financial management expertise and experience to discharge their responsibilities.

The AC carries out its functions as set out under its terms of reference. The AC monitors the changes in accounting policies, reviews internal audit appraisals and adequacy of the Group's internal controls, reviews interested person transactions, and discusses accounting implications of major transactions so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance. In addition, the AC reviews together with the external auditor, the audit plan, audit issues, audit report and Management's response.

The AC is authorised to investigate any matter within its terms of reference and has full access to Management and resources, which are necessary to enable it to discharge its functions properly.

The Company has put in place a whistle–blowing framework, endorsed by the AC where employees of the Company and any other persons may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

The AC has full access to and co–operation by Management and has full discretion to invite any executive director or executive officer to attend their meetings.

The AC meets with the external auditor and internal auditor, at least once a year, without the presence of Management. The AC has reviewed and satisfied with the external auditor's independence and objectivity. For FY2014, the amount of audit fees paid to the external auditors was RMB1,040,000 and non-audit fees was RMB254,000.

The AC, with the concurrence of the Board, has recommended the re-appointment of Nexia TS Public Accounting Corporation as auditor at the forthcoming Annual General Meeting of the Company. The Company confirms that Rules 712 and 716 of the Listing Manual of the SGX-ST has been complied with, specifically, the Board and the Audit Committee are satisfied that the appointment of different auditing firms for the Group companies would not compromise the standard and effectiveness of the audit of the Company.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Crowe Horwath First Trust Risk Advisory Pte Ltd. during the financial year. The objective of the internal audit function is to determine whether the Group's key controls and governance processes is adequate and functioning in the required manner. The internal audit function performed its review in accordance to the audit plan reviewed and approved by the AC. Procedures are in place for internal auditors to report independently their findings to the AC on internal audit matters, and to the Management on administrative matters. Management will update the AC on the status of the remedial action plans.

The internal auditor reports to the Chairman of the AC at least annually.

The AC reviews the internal audit reports and activities periodically and the effectiveness of the Company's internal audit function. The AC is of the view that the internal audit function is adequately resourced to perform its functions and have, to the best of its ability, maintained its independence from the activities that it audits.

The internal auditors have conducted an annual review in accordance with their audit plan, of the effectiveness of the Company's material internal controls. Material non-compliance or failures in internal controls and recommendations for improvements (if any) will be reported to the Audit Committee.

The AC has also reviewed the effectiveness and adequacy of the IA function and the AC is satisfied that the IA function is adequately resourced and has appropriate standing within the Group.

Shareholders' Rights and Responsibilities, Communication With Shareholders and Conduct of Shareholders' Meeting

Principle 14: Companies should treat all shareholders fairly and equitable, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

STATEMENT OF CORPORATE GOVERNANCE

The Company believes in timely, fair and adequate disclosure of relevant information to the Shareholders and investors so that they will be apprised of developments that may have a material impact on the price or value of Company's securities. The Company does not practice selective disclosure. In this respect, the Board presents a balanced and understandable assessment of the Group's performance, position and prospects in its announcements, including quarterly, half-year and full-year results and reports to regulators, if any, all of which are released through SGX-ST's website at SGXNet (www.sgx. com). The Company also strives to be as descriptive, detailed and forthcoming as possible. The Company has a policy that where there is inadvertent disclosure made to a selected group, the Company will ensure that the information is disclosed publicly to all others as soon as practicable.

All Shareholders will receive the annual report and notice of AGM. At general meetings of shareholders, the Shareholders will be given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairpersons of the AC, NC, RC and RMC attend the AGM of the Company to address any queries from the shareholders. The Company's external auditors are also invited to assist in addressing any queries by shareholders relating to the conduct of audit and the preparation and content of their auditors' report. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Bye-Laws allow a shareholder to appoint one or two proxies to attend and vote instead of the shareholder. The Bye-Laws currently do not allow a shareholder to vote in absentia. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings of shareholders as observers without being constrained by the two-proxy rule.

To ensure that the Shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company has since 2008 been conducted by poll. The Chairman of the meeting, with the assistance of service providers engaged by the Company, will brief shareholders to familiarise them with the detailed procedures involved in conducting a poll. An announcement of the detailed results of the poll showing the number of votes cast for and against each resolution and the respective percentages will be announced after the general meeting via SGXNet. Having considered the cost and benefit, the Company has decided not to conduct poll by means of electronic polling at this juncture.

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are better able to exercise their right to approve or deny the issue or motion.

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends.

Dealings in Securities

The Group has adopted an internal policies that are consistent with Rule 1207(19) of the listing manual issued by SGX-ST in relation to dealings in the Company's securities.

Directors, officers and employees of the Company are notified that they are prohibited from trading in the Company's shares while in possession of unpublished material price–sensitive information, and during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full year results and ending on the date of the announcement of the relevant results.

The Directors and key officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST.

Interested Person Transactions ("IPTs")

The Company has established guideline on interested person transactions. The AC reviews material interested person transactions and keeps the Board informed of such transactions, if any.

Measures are taken to ensure that terms and conditions of interested person transactions are not more favorable than those granted to non–related persons under similar circumstances.

There were no interested person transactions entered into during the financial year ended as at 31 December 2014.

Material Contracts

There were no material contracts of the Company and its subsidiaries involving interest of any directors or controlling shareholders during and as at the end of financial year of 2014.

Risk Management

Management regularly reviews the Group's businesses and assesses operational environment in order to identify areas of significant business and financial risks such as foreign exchange risks, interest rate risk, credit risk and liquidity risk, as well as appropriate measures to control and mitigate these risks. The significant risk management policies are as disclosed in the audited financial statements of this Annual Report on page 48 to 53.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

The directors present their report to the members together with the audited consolidated financial statements of China International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are as follows:

Mr Shan Chang
Mr Fong Weng Khiang
Mr Zhang Rong Xiang
Mr Zhu Jun
Mr Chee Teck Kwong Patrick
Mr Shen Xia

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was 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, other than as disclosed under "Share options" of this report.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2014	**At 1.1.2014**
Company (No. of ordinary shares of S$0.05 each)		
Mr Fong Weng Khiang	4,500,000	4,500,000
Mr Zhang Rong Xiang	2,566,000	2,566,000

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

(a) The Group adopted a CIHL Share Option Scheme (the "2004 Scheme") on 10 May 2004. Since the commencement of the 2004 Scheme, the Company had granted 76,000,000 options under the 2004 Scheme to the directors. Total of 4,500,000 options were exercised since commencement of the 2004 Scheme. The 2004 Scheme was terminated on 2 August 2009 and the remaining outstanding share options of 4,500,000 granted under the 2004 Scheme expired on 5 August 2013.

(b) A new CIHL Share Option Scheme has been adopted on 8 March 2010 (the "2010 Scheme"). As at the date of this report, following share options have been granted by the Company to the directors pursuant to 2010 Scheme:

	No. of unissued ordinary shares of the Company under option			
Name of director	**Granted in financial year ended 31.12.2014**	**Aggregate granted since commencement of scheme to 31.12.2014**	**Aggregate exercised since commencement of scheme to 31.12.2014**	**Aggregate outstanding as at 31.12.2014**
Mr Shan Chang	8,000,000	18,000,000	–	18,000,000
Mr Fong Weng Khiang	8,000,000	12,000,000	–	12,000,000
Mr Zhang Rong Xiang	10,000,000	18,000,000	–	18,000,000
Mr Zhu Jun	10,000,000	18,000,000	–	18,000,000
Mr Chee Teck Kwong Patrick	8,000,000	12,000,000	–	12,000,000
Mr Shen Xia	10,000,000	17,000,000	–	17,000,000
	54,000,000	95,000,000	–	95,000,000

Pursuant to the 2010 Scheme, there were 17,000,000 share options granted to the above directors of the Company on 8 March 2010 at the exercise price of S$0.075, and 3,000,000 share options granted to a director of the Company on 17 May 2010 at the exercise price of S$0.087. The vesting schedule of the share options is 50% after the first anniversary of the grant and 50% after the second anniversary of the grant. The expiry dates of the share options are on 7 March 2015 and 16 May 2015 respectively.

There were 21,000,000 share options granted to the above directors of the Company on 2 June 2011 at the exercise price of S$0.052. The vesting schedule of the share options is 50% after the first anniversary of the grant and 50% after the second anniversary of the grant. The expiry date of the share options is on 1 June 2016.

There were 54,000,000 share options granted to the above directors of the Company on 10 March 2014 at the exercise price of S$0.0452. The vesting schedule of the share options is 50% after the first anniversary of the grant and 50% after the second anniversary of the grant. The expiry date of the share options is on 9 March 2019. The fair value of share options granted during the financial year was estimated to be S$1,477,000, equivalent to RMB6,989,000 using the Binomial Option Pricing Model.

Since the commencement of the 2010 Scheme to the end of the financial year ended 31 December 2014, save as disclosed above:

(i) no employees of the Company or its subsidiaries have received 5% or more of the total number of share options available under the 2010 Scheme;

(ii) no share options have been granted to controlling shareholders of the Company and their associates; and

(iii) no share options have been granted at a discount of more than 20% to the prevailing market price of the shares.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

The 2010 Scheme is administered by the Remuneration Committee, members of which included Mr Fong Weng Khiang, Mr Shan Chang and Mr Chee Teck Kwong Patrick.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year and date of this report were as follows:

Mr Fong Weng Khiang (Chairman and independent director)
Mr Shan Chang
Mr Chee Teck Kwong Patrick (Independent director)

All members of the AC were non-executive directors.

The AC carried out its functions as set out in its terms of reference. In performing those functions, the AC:

- monitored the changes in accounting policies;
- reviewed internal audit appraisals and adequacy of the Group's internal controls;
- reviewed interested person transactions;
- discussed accounting implications of major transactions so as to ensure the integrity of the financial statements of the Company and the consolidated financial statements of the Group and any announcements relating to the Company's financial performance;
- reviewed together with the independent auditor, the audit plan, audit issues, audit report and management's response;
- reviewed the co-operation and assistance given by the Company's management to the external auditors; and
- reviewed the statement of the financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the statement of financial position of the Company and the consolidated financial statements of the Group.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The independent auditor has unrestricted access to the AC.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

2 April 2015

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2014

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 29 to 117 are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, based on the assumptions and measures undertaken as described in Note 3 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

2 April 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of China International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 117, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw attention to Note 3 to the financial statements, which states that the Group recorded a gross loss of RMB14,319,000 (2013: gross profit of RMB56,340,000), net loss of RMB95,926,000 (2013: net profit of RMB20,101,000) and net cash outflows from its operating activities of RMB95,090,000 (2013: RMB2,528,000) for the financial year ended 31 December 2014. As at 31 December 2014, the Group has current borrowings of RMB452,762,000 (2013: RMB35,297,000) due within 12 months from the end of the reporting period and with a cash and cash equivalents balance of RMB54,665,000 (2013: RMB47,734,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Our opinion is not qualified with respect to this matter.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Philip Tan Jing Choon
Appointed since financial year ended 31 December 2012

Singapore

2 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Continuing operations			
Revenue	6	109,083	155,514
Cost of sales and services provided		(123,402)	(99,174)
Gross (loss)/profit		(14,319)	56,340
Other income - net	7	28,141	29,359
Administrative expenses		(21,289)	(13,847)
Other operating expenses		(46,700)	(23,494)
Selling and marketing expenses		(8,868)	(3,129)
Gain on bargain purchase	39(b)	–	8,328
Operating (loss)/profit		(63,035)	53,557
Finance costs	8	(43,054)	(8,615)
Share of losses of associated companies accounted for using the equity method		(1,814)	(2,081)
(Loss)/profit before income tax		(107,903)	42,861
Income tax credit/(expense)	11	12,780	(12,869)
(Loss)/profit for the financial year from continuing operations		(95,123)	29,992
Discontinued operations			
Loss for the financial year from discontinued operations	12(d)	(803)	(9,891)
(Loss)/profit for the financial year		(95,926)	20,101
Other comprehensive income/(loss):			
Item that may be subsequently reclassified to profit or loss			
Currency translation gains/(losses) on translating foreign operations		305	(1,875)
Other comprehensive income/(loss) for the financial year, net of tax		305	(1,875)
Total comprehensive (loss)/income for the financial year		(95,621)	18,226
(Loss)/profit for the financial year attributable to:			
Owners of the parent		(75,960)	14,439
Non-controlling interests		(19,966)	5,662
		(95,926)	20,101

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Total comprehensive (loss)/income for the financial year attributable to:			
Owners of the parent		(75,655)	12,564
Non-controlling interests		(19,966)	5,662
		(95,621)	18,226
Total comprehensive (loss)/income attributable to equity shareholders arises from:			
Continuing operations		(75,213)	18,004
Discontinued operations	12(d)	(442)	(5,440)
		(75,655)	12,564
(Loss)/earnings per share from continuing and discontinued operations attributable to the owners of the parent during the financial year (RMB (Fen) per share)			
Basic and diluted (loss)/earnings per share			
From continuing operations	13	(7.80)	2.27
From discontinued operations	13	(0.05)	(0.62)
From (loss)/profit for the financial year		(7.85)	1.65

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	268,520	210,637	–	–
Intangible assets	15	122	122	–	–
Investment properties	16	33,100	33,100	–	–
Goodwill arising on consolidation	17	20,303	20,303	–	–
Investments in subsidiaries	18	–	–	220,000	220,049
Investments in associated companies	19(a)	99,603	97,040	–	–
Deferred income tax assets	20	839	705	–	–
Long-term loan receivable	21	–	150,000	–	–
		422,487	511,907	220,000	220,049
CURRENT ASSETS					
Development properties	22	1,279,634	1,298,474	–	–
Inventories	23	1,140	1,671	–	–
Gross amount due from customers for contract work	24	15,472	15,634	–	–
Due from associated companies	19(b)	74,052	59,115	–	–
Due from non-controlling shareholders of subsidiaries	25	10,091	10,093	–	–
Due from subsidiaries	18	–	–	514,221	517,693
Loan receivable	21	150,000	–	–	–
Prepayments, deposits and other receivables	26	212,883	136,697	53	298
Trade receivables	27	5,466	50,945	–	–
Cash and cash equivalents	28	54,665	47,734	*	*
		1,803,403	1,620,363	514,274	517,991
Assets of disposal group classified as held for sale	12(b)	8,413	8,411	–	–
		1,811,816	1,628,774	514,274	517,991
CURRENT LIABILITIES					
Borrowings	29	452,762	35,297	–	–
Loan payables	30	147,623	–	–	–
Other payables and accruals	31	138,120	151,515	2,332	2,588
Trade payables	32	27,265	41,329	–	–
Current income tax liabilities		12,315	27,355	–	–
Due to subsidiaries	18	–	–	137,995	157,317
Due to non-controlling shareholders of subsidiaries	25	175,428	334,788	–	–
Receipts in advance	33	18,668	20,770	–	–
Gross amount due to customers for contract work	24	4,241	2,912	–	–
		976,422	613,966	140,327	159,905
Liabilities of disposal group classified as held for sale	12(c)	474	446	–	–
		976,896	614,412	140,327	159,905
NET CURRENT ASSETS		834,920	1,014,362	373,947	358,086
TOTAL ASSETS LESS CURRENT LIABILITIES		1,257,407	1,526,269	593,947	578,135

* Less than RMB1,000

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
NON-CURRENT LIABILITIES					
Borrowings	29	109,869	148,076	–	–
Long-term loan payables	30	–	145,445	–	–
Deferred income tax liabilities	20	159,138	175,760	–	–
		269,007	469,281	–	–
NET ASSETS		988,400	1,056,988	593,947	578,135
EQUITY					
Equity attributable to owners of the parent					
Share capital	34(a)	257,321	219,943	257,321	219,943
Reserves	35	657,390	650,878	631,309	626,312
Accumulated losses		(257,838)	(165,326)	(294,683)	(268,120)
		656,873	705,495	593,947	578,135
Non-controlling interests		331,527	351,493	–	–
TOTAL EQUITY		988,400	1,056,988	593,947	578,135

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax including discontinued operations		(108,706)	31,501
Adjustments for:			
- Depreciation of property, plant and equipment	10	8,542	6,645
- Development properties write-down	10	51,072	–
- Impairment loss on assets of disposal group classified as held for sale	12(d)	–	9,324
- Impairment loss on trade receivables	10	8,617	–
- Impairment loss on other receivables	10	4,331	–
- Impairment loss of property, plant and equipment	7	–	592
- Interest expenses		40,876	11,606
- Interest income		(28,653)	(24,105)
- Employee share option expense	9	4,249	298
- Fair value gain on investment properties	7	–	(5,600)
- Gain on additions to investments in an associated company		(92)	–
- Gain on bargain purchase	39(b)	–	(8,328)
- Gain on disposal of property, plant and equipment		(12)	(13)
- Provision for foreseeable losses		1,187	–
- Share of losses of associated companies		1,814	2,081
- Unrealised currency translation loss/(gain)		2,048	(1,996)
		(14,727)	22,005
Changes in working capital, net of effects from acquisition of subsidiaries:			
- Development properties		(31,250)	53,510
- Inventories		531	460
- Gross amount due from customers for contract work		162	5,016
- Due from related party		–	837
- Due from non-controlling shareholders		2	586
- Prepayments, deposits and other receivables		(1,179)	(26,311)
- Trade receivables		36,862	(39,852)
- Other payables and accruals		(48,951)	(5,302)
- Trade payables		(14,064)	22,184
- Receipts in advance		(2,102)	(9,436)
- Due to non-controlling shareholders		(1,500)	(13,000)
- Gross amount due to customers for contract work		142	(2,587)
Cash (used in)/generated from operations		(76,074)	8,110
PRC income tax paid		(19,016)	(10,638)
Net cash used in operating activities		(95,090)	(2,528)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	39(c)	–	(147,254)
Payments for consideration of acquisition of subsidiaries		(157,860)	–
Payments for acquisition of non-controlling interests	36	–	(500)
Increased of restricted bank balances pledged		(968)	(2,127)
Interest received		14,100	14,271
Purchases of property, plant and equipment		(35,716)	(45,209)
Proceeds from disposal of property, plant and equipment		12	13
Capital contribution to an associated company	19(a)(ii)	(3,980)	–
Loans to a non-related party		(73,000)	(14,000)
Loans to associated companies		(5,124)	(7,611)
Net cash used in investing activities		(262,536)	(202,417)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Interest and other finance costs paid		(36,303)	(11,313)
Proceeds from issuance of ordinary shares		38,126	–
Proceeds from borrowings from non-related parties		545,900	200,000
Borrowings from related parties		75,000	–
Repayments of borrowings from non-related parties		(168,790)	(16,627)
Repayments of borrowings from related parties		(75,000)	–
Dividends paid to owners of the parent		(15,342)	–
Net cash generated from financing activities		363,591	172,060
Net increase/(decrease) in cash and cash equivalents		5,965	(32,885)
Cash and cash equivalents			
Beginning of financial year		45,500	78,486
Exchange losses on cash and cash equivalents		*	(101)
End of financial year	28	51,465	45,500

* Less than RMB1,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

	Attributable to owners of the parent											
	Share capital	Share premium	Contributed surplus	Capital reserve	Statutory reserves*	Capital redemption reserve	Currency translation reserve	Share options reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014												
Beginning of financial year	219,943	45,312	565,589	7,764	21,450	8,324	(4,169)	6,608	(165,326)	705,495	351,493	1,056,988
Total comprehensive income/(loss) for the financial year	–	–	–	–	–	–	305	–	(75,960)	(75,655)	(19,966)	(95,621)
Dividends paid	–	–	–	–	–	–	–	–	(15,342)	(15,342)	–	(15,342)
Proceeds from shares issued	37,378	748	–	–	–	–	–	–	–	38,126	–	38,126
Transfer	–	–	–	–	1,210	–	–	–	(1,210)	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	4,249	–	4,249	–	4,249
End of financial year	257,321	46,060	565,589	7,764	22,660	8,324	(3,864)	10,857	(257,838)	656,873	331,527	988,400
2013												
Beginning of financial year	219,943	45,312	565,589	7,764	18,710	8,324	(2,294)	7,455	(178,170)	692,633	80,211	772,844
Total comprehensive income/(loss) for the financial year	–	–	–	–	–	–	(1,875)	–	14,439	12,564	5,662	18,226
Share option lapsed/forfeited during the financial year	–	–	–	–	–	–	–	(1,145)	1,145	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	266,120	266,120
Acquisition of additional interests from non-controlling interests	–	–	–	–	–	–	–	–	–	–	(500)	(500)
Transfer	–	–	–	–	2,740	–	–	–	(2,740)	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	298	–	298	–	298
End of financial year	219,943	45,312	565,589	7,764	21,450	8,324	(4,169)	6,608	(165,326)	705,495	351,493	1,056,988

* As stipulated by the relevant laws and regulations for foreign investment enterprises in PRC, the PRC subsidiaries of the Group are required to provide for statutory surplus reserve fund and voluntary contribution of enterprise expansion fund. Appropriations to such reserve funds are made out of a total of 10.5% of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied to convert into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the statutory reserves under shareholders' funds.

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

China International Holdings Limited (the "Company") is listed on the main board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company is an exempted company incorporated in Bermuda with limited liability under the Companies Act of Bermuda.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is in the People's Republic of China (the "PRC").

The principal activities of the Company are those of investment holding. The principal activities of its subsidiaries and associated companies are disclosed in Note 18 and Note 19 respectively to the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value through profit or loss.

The financial statements are presented in Renminbi ("RMB") and all values in the tables are rounded to the nearest thousand (RMB'000) as indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

These financial statements are prepared on a going concern basis based on the assuptions and measures undertaken as disclosed in Note 3 to the financial statements.

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Group

On 1 January 2014, the Group adopted the new or amended IFRS and IFRIC interpretations that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC interpretations.

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Changes in accounting policy and disclosures (Cont'd)

(a) New standards, amendments and interpretations adopted by the Group (Cont'd)

The adoption of these new or amended IFRS and IFRIC interpretations did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Summary of significant accounting policies (Cont'd)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Summary of significant accounting policies (Cont'd)

2.2 Consolidation (Cont'd)

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associated companies" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.2 Consolidation (Cont'd)

(e) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.3 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or costs". All other foreign exchange gains and losses are presented in profit or loss within "other income – net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Summary of significant accounting policies (Cont'd)

2.5 Foreign currency translation (Cont'd)

(c) Group companies (Cont'd)

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives
Leasehold land and buildings	20 years
Water plant and its ancillary facilities	20 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Construction in progress represents water plant and its ancillary facilities and convention centre under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income/(losses) – net" in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating-units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Operating and toll collection rights of toll bridges and its ancillary facilities under the service concession arrangements

Service concession arrangements represent the rights by which the local government grants a contract for the respective operating and toll collection rights for Zouwei bridge and its ancillary facilities (the "Toll bridges and its ancillary facilities") for a period of 25 years from the date of commencement of its operation in February 1999. Upon expiration of the concession period, the Toll bridges and its ancillary facilities shall be transferred to the local government without compensation. The Toll bridges and its ancillary facilities under the service concession arrangements are stated at cost, i.e. the fair value of the consideration received or receivable in exchange for the services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

The Toll bridges and its ancillary facilities are classified as "assets of disposal group held for sale" in the statement of financial position (Note 12).

(c) Development of software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

(i) It is technically feasible to complete the software product so that it will be available for use;

2. Summary of significant accounting policies (Cont'd)

2.7 Intangible assets (Cont'd)

(c) Development of software (Cont'd)

(ii) Management intends to complete the software product and use or sell it;

(iii) There is an ability to use or sell the software product;

(iv) It can be demonstrated how the software product will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(vi) The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

2.8 Investment properties

Investment properties are land and/or buildings that are held for long term rentals yields and/or for capital appreciation.

Investment properties are initially recognised at cost including all direct costs attributable to the property and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair value are recognised in profit or loss.

The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.9 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2. Summary of significant accounting policies (Cont'd)

2.9 Non-current assets (or disposal groups) held for sale and discontinued operations (Cont'd)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2.10 Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and the estimated net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the end of the reporting period, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at the end of each reporting period.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Summary of significant accounting policies (Cont'd)

2.12 Financial assets (Cont'd)

(a) Classification (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "gross amount due from customers for contract work", "due from associated companies", "due from related party", "due from non-controlling shareholders", "due from subsidiaries", "prepayments, deposits and other receivables" (excluding prepayments), "trade receivables", "refundable deposits" and "cash and cash equivalents" in the statement of financial position.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.14 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Summary of significant accounting policies (Cont'd)

2.14 Impairment of financial assets (Cont'd)

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.15 Inventories

Inventories for construction contracts, comprising raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

2.16 Construction contracts

A construction contract is defined by IAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an assets.

When the outcome of a construction contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method", to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

2. Summary of significant accounting policies (Cont'd)

2.16 Construction contracts (Cont'd)

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is presented as "Gross amount due from customers for contract work"; a contract represents a liability where the opposite is the case, the balance is presented as "Gross amount due to customers for contract work".

2.17 Operating leases

(i) Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) Where the Group is the lessor

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.18 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, less cash subject to restriction. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2. Summary of significant accounting policies (Cont'd)

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.23 Borrowing costs

General and specific 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.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. Summary of significant accounting policies (Cont'd)

2.24 Current and deferred income tax (Cont'd)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except for deferred taxable income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only were there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Summary of significant accounting policies (Cont'd)

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Land development construction contracts

Revenue from construction and upgrade services is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each contract. When the outcome of a construction and upgrade services cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(ii) Water supply income

Water supply income is recognised based on water supplied during the financial year.

(iii) Construction of water pipeline

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(iv) Revenue on sale of development properties held for sale

Revenue from sale of development properties held for sale in respect of sale and purchase agreements entered into prior to completion of construction is recognised when the properties are delivered to the buyers, such transfer generally occurs when the property units are completed and delivered to the purchasers. Revenue is recognised upon completion of construction. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

(v) Revenue from real estate management

Revenue from real estate management is recognised when the services are rendered.

(vi) Interest income

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (Cont'd)

2.26 Revenue recognition (Cont'd)

(vii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(viii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost less accumulated impairment losses.

Exploration and evaluation assets represent costs of acquiring exploration rights and the expenditures in the search for mineral resources on an area of interest. Costs incurred before the Group has obtained the legal right to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

(a) the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(b) activities in the area of interest have not, at the end of the reporting period, reached a stage which permits a reasonable assessment of the existence or otherwise the economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or decided by the directors that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of a financial period and its accumulated costs are written off to the extent that they will not be recoverable. Each potential or recognised area of interest is evaluated as and when management deems there are indications of significant change in the mineral reserves.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrated, any previously recognised exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets (included in property, plant and equipment).

2. Summary of significant accounting policies (Cont'd)

2.28 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Contributions to Mandatory Provident Fund, a defined contribution retirement scheme, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in profit or loss as and when incurred.

The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as employee benefit expense in the period in which the related services are performed. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(a) including any market performance conditions (for example, an entity's share price);

(b) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(c) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2. Summary of significant accounting policies (Cont'd)

2.28 Employee benefits (Cont'd)

(iii) Share-based payments (Cont'd)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.29 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (Cont'd)

2.30 Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the financial statements when material.

2.31 Financial guarantee

A subsidiary of the Company has issued corporate guarantees to banks for borrowings of certain buyers for purchases of properties for development. These guarantees are financial guarantees as they require the Group to reimburse the banks if the buyers fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Group's statement of financial position.

Financial guarantees are subsequently amortised to profit or loss over the period of the buyers' borrowings, unless it is probable that the Group will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Group's statement of financial position.

3. Going concern

The Group recorded a gross loss of RMB14,319,000 (2013: gross profit of RMB56,340,000), net loss of RMB95,926,000 (2013: net profit of RMB20,101,000) and net cash outflows from its operating activities of RMB95,090,000 (2013: RMB2,528,000) for the financial year ended 31 December 2014. As at 31 December 2014, the Group has current borrowings of RMB452,762,000 (2013: RMB35,297,000) due within 12 months from the end of the reporting period and with a cash and cash equivalents balance of RMB54,665,000 (2013: RMB47,734,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

Notwithstanding with the above, the financial statements have been prepared on a going concern basis upon considering the following:

(i) The Group is able to continue in the current operational existence and generate positive cash flows and discharge their liabilities in the normal course of business for the next twelve months.

(ii) As disclosed in Note 26(c), the Group is expecting a repayment of approximately RMB173,000,000 by a local government agency in respect of the residential relocation development projects in Men Tou Gou District.

(iii) The Group currently still has an undrawn borrowing facility of RMB120,000,000 expiring in April 2016 and also the directors have evaluated all the relevant facts available to them and are of the opinion that the Group have good track records or relationships with financial institutions which enhance the Group's ability to continue and/or obtain new credit facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

3. Going concern (Cont'd)

Accordingly, the financial statements have been prepared on a going concern basis.

The validity of the going concern assumption on which these financial statements are prepared depends on the assumptions and measures taken above. If the Group and the Company are unable to continue their operational existences and/or unable to maintain their credit facilities, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from this uncertainty.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes the detailed policies such as risk identification and measurement and exposure limits.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in PRC. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in the Hong Kong dollar ("HKD") and United States dollar ("USD"). The Group does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will closely monitor its foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

At 31 December 2014, if the HKD had weakened/strengthened by 5% (2013: 5%) against the RMB with all other variables held constant, the recalculated post-tax profit for the financial year would have been RMB7,236,000 (2013: RMB15,130,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated loan payable. Profit is less sensitive to movement in HKD/RMB exchange rates in 2014 than 2013 because the HKD-denominated amount due to a non-controlling shareholder of subsidiaries has been paid during 2014.

At 31 December 2014, if the USD had weakened/strengthened by 5% (2013: 5%) against the RMB with all other variables held constant, the recalculated post-tax profit for the financial year would have been RMB3,330,000 (2013: RMB2,922,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated loans to an associated company.

4. Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risks arises primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The table below sets out the carrying amounts as at 31 December, by maturity or re-pricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2014			
Financial assets			
Fixed rate			
Bank deposits	5,013	–	5,013
Other receivables	173,000	–	173,000
Due from associated companies	74,052	–	74,052
Loan receivable	150,000	–	150,000
	402,065	–	402,065
Floating rate			
Bank deposits	49,597	–	49,597
Financial liabilities			
Fixed rate			
Loan payables	147,623	–	147,623
Borrowings	452,762	109,869	562,631
	600,385	109,869	710,254

4. Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risks (Cont'd)

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2013			
Financial assets			
Fixed rate			
Bank deposits	7,492	–	7,492
Other receivables	104,000	–	104,000
Due from associated companies	59,115	–	59,115
Long-term loan receivable	–	150,000	150,000
	170,607	150,000	320,607
Floating rate			
Bank deposits	40,114	–	40,114
Financial liabilities			
Fixed rate			
Long-term loan payables	–	145,445	145,445
Borrowings	35,297	148,076	183,373
	35,297	293,521	328,818

The Group is not exposed to changes in interest rates for fixed rate financial assets and financial liabilities, and the impact of the exposure to interest rate risk from financial assets at variable rate is not significant.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group conducts credit evaluations on borrowers and establishes an allowance for doubtful accounts based on estimates, factors surrounding the credit risks of specific borrower and any other relevant information.

The details of the Group's exposure to credit risk in relation to the Group's financial assets are described as follows:

(i) Cash and cash equivalents

Bank deposits are placed with banks with high credit-ratings.

(ii) Due from non-controlling shareholders of subsidiaries and associated companies

When loans are granted to related companies, advance assessment is being made by the management on the recoverability of the loans, and whenever possible, security is required.

4. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

(iii) Trade receivables

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. See Note 27 for further disclosure on credit risk.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial instruments presented on the statement of financial position, except as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Financial guarantees		
Guarantees in respect of mortgage facilities for certain buyers	90,850	125,318

For properties that are still under construction, a subsidiary of the Company, Yichang Xinshougang Property Development Company Limited ("XSG"), provides guarantees to local government authority and certain financial institutions in connection with the buyers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the financial institutions holding the mortgage may demand XSG to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, XSG is able to retain the buyer's deposit and sell the property to recover any amounts paid by it to the financial institutions. Unless the selling price drops more than 30%, which is remote, XSG would not be in a loss position in selling those properties out. In this regard, the management considers that the credit risk is significantly reduced.

Details of the financial guarantees are disclosed in Note 41 to the financial statements.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient funds to enable the Group and the Company to meet contractual and financial obligations and the availability of funding through credit facilities. At the end of the reporting period, assets held by the Group and the Company for maintaining liquidity risk included cash and cash equivalents as disclosed in Note 28 to the financial statements.

4. Financial risk management (Cont'd)

(c) Liquidity risk (Cont'd)

To manage liquidity risk, the Group and the Company monitors its net operating cash flow and maintains a level of cash and cash equivalents, deemed adequate by management for working capital purposes so as to mitigate the effectiveness of cash flows.

The table below analyses the non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
Group			
2014			
Trade and other payables	341,287	–	341,287
Loan payables	148,659	–	148,659
Borrowings	516,373	123,832	640,205
Financial guarantees	90,850	–	90,850
	1,097,169	123,832	1,221,001
2013			
Trade and other payables	528,078	–	528,078
Long-term loan payables	3,340	149,458	152,798
Borrowings	49,971	173,655	223,626
Financial guarantees	125,318	–	125,318
	706,707	323,113	1,029,820
Company			
2014			
Other payables	140,327	–	140,327
2013			
Other payables	159,905	–	159,905

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase shares, raise new debts, redeem existing debts or sell assets to reduce debts.

4. Financial risk management (Cont'd)

(d) Capital risk (Cont'd)

Management monitors capital based on the return on shareholders' fund. The return on shareholders' fund was nil (2013: 2.05%) for the current financial year ended 31 December 2014.

The return on shareholders' fund is calculated as net profit attributable to owners of the parent divided by shareholders' equity.

According to the Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of the public.

Apart from the above, the Group is not subject to any other externally imposed capital requirements.

(e) Fair value estimation

The fair value measurement hierarchy have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

See Note 12 for disclosure of the disposal group classified as held for sale that are measured at fair value and Note 16 for disclosure of the investment properties that are measured at fair value. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated based on quoted market price or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values.

4. Financial risk management (Cont'd)

(f) Offsetting financial assets and financial liabilities

	Gross amounts of recognised financial assets/ (liabilities) RMB'000	Gross amounts of recognised financial liabilities/ (assets) set off in the statement of financial position RMB'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position RMB'000
Group			
As at 31 December 2014			
Due from non-controlling shareholders of subsidiaries	14,591	(4,500)	10,091
Due to non-controlling shareholders of subsidiaries	(179,928)	4,500	175,428
As at 31 December 2013			
Due from non-controlling shareholders of subsidiaries	13,093	(3,000)	10,093
Due to non-controlling shareholders of subsidiaries	(337,788)	3,000	(334,788)
Company			
As at 31 December 2014			
Due from subsidiaries	912,545	(398,324)	514,221
Due to subsidiaries	(536,319)	398,324	(137,995)
As at 31 December 2013			
Due from subsidiaries	914,006	(396,313)	517,693
Due to subsidiaries	(553,630)	396,313	(157,317)

4. Financial risk management (Cont'd)

(g) Financial instruments by category

The aggregate carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Assets as per statement of financial position				
Long-term loan receivable	–	150,000	–	–
Loan receivable	150,000	–	–	–
Trade and other receivables (1)	306,001	260,671	514,274	517,991
Cash and cash equivalents	54,703	47,770	*	*
Loans and receivables	510,704	458,441	514,274	517,991
Liabilities as per statement of financial position				
Long-term loan payables	–	145,445	–	–
Loan payables	147,623	–	–	–
Borrowings	562,631	183,373	–	–
Trade and other payables excluding non-financial liabilities (2)	341,287	528,078	140,327	159,905
Financial liabilities at amortised cost	1,051,541	856,896	140,327	159,905

* Less than RMB1,000

(1) Excluding prepayments, including other receivables of RMB7,000 (2013: RMB7,000) from assets of disposal group classified as held for sale.

(2) Excluding receipts in advance and gross amount due to customers for contract work, including other payables and accruals of RMB474,000 (2013: RMB446,000) from liabilities of disposal group classified as held for sale.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of uncollectible debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and allowance for impairment charge in the period in which such estimate has been changed.

5. Critical accounting estimates and judgements (Cont'd)

(a) Impairment of trade and other receivables (Cont'd)

If the net present values of estimated cash flows had been lower by 10% from management's estimates for all past due but not impaired loans and receivables, the Group's allowance for impairment would have been higher by RMB530,000 (2013: RMB3,443,900).

The impairment of trade receivables and other receivables as at 31 December 2014 was approximately RMB8,617,000 and RMB6,670,000 (2013: RMB nil and RMB2,538,000) respectively.

(b) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of goodwill and where applicable, cash-generating units ("CGUs"), have been based on value-in-use calculations. These calculations require the use of estimates (Note 17).

If the estimated growth rate used in the value-in-use calculation for this CGU had declined by 7.83% (2013: 15.74%), estimated pre-tax discount rate applied to the discounted cash flows for this CGU had raised by 0.80% (2013: 6.38%), the recoverable amount of the CGU would equal to the carrying amount.

(c) Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on percentage-of-completion method. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgement, management evaluates by relying on past experience.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue and profit would have been lower/higher by approximately RMB417,000 and RMB692,000 (2013: RMB697,000 and RMB729,000) respectively.

(d) Impairment of investments in associated companies

The Group tests annually whether interests in associated companies have suffered any impairment based on both quantitative and qualitative criteria. Such assessments include various estimates and assumptions, the financial health, cashflow projection and future prospects of the respective associated companies. In assessing the recoverable amount of investments in associated companies, the entire carrying amounts of the investments including goodwill is tested as a single asset.

5. Critical accounting estimates and judgements (Cont'd)

(d) Impairment of investments in associated companies (Cont'd)

At the end of the reporting period, the net carrying amount of interests in respective associated companies, comprising the net of the equity investments in associated companies, interest receivables from associated companies and due from associated companies, are as follows:

	2014 RMB'000	2013 RMB'000
Interests in Future Trillion Holdings Limited ("Future Trillion") and its subsidiary (the "Future Trillion Group")	120,759	113,637
Interests in LiuHe County YuKun Mining Co. Ltd. ("Liuhe Group")	54,314	49,009
	175,073	162,646

At the end of the reporting period, the recoverable amounts of the Group's interests in Future Trillion Group and Liuhe Group are approximately RMB120,759,000 and RMB54,314,000 (2013: RMB113,637,000 and RMB49,009,000) respectively, are determined by reference to the exploration and evaluation assets held by the associated companies. In determining whether there is an impairment of the exploration and evaluation assets in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the management assessed whether any key impairment indicators which indicates that there is impairment on its exploration and evaluation assets including:

(i) The period for which the associated companies has the right to explore in the specific area has expired during the financial year or will expire in the near future, and is not expected to be renewed;

(ii) Substantive expenditure on further exploration for and evaluation of oil and gas and gold resources in the specific area is neither budgeted nor planned;

(iii) Exploration for and evaluation of oil and gas and gold resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the associated companies have decided to discontinue such activities in the specific area; and

(iv) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

As set out in Note19(a) to the financial statements, the Group has not identified any of these impairment indicators of the exploration and evaluation assets held by the associated companies.

(e) Fair value of assets of disposal group classified as held for sale

The carrying amount of the assets of disposal group classified as held for sales as at 31 December 2014 amounting to RMB8,413,000 (2013: RMB8,411,000). The management performed the valuation of the assets of disposal group held for sale based on the discussion with local government authority to assess the likelihood of compensation, with reference to the guidelines issued by the Department of Transportation of PRC. As such, this is a valuation technique within Level 3 of the fair value hierarchy, using unobservable inputs.

5. Critical accounting estimates and judgements (Cont'd)

(e) Fair value of assets of disposal group classified as held for sale (Cont'd)

An impairment loss of RMB9,324,000 was recognised on the re-measurement of the assets of disposal group held for sale in 2013, resulting in the carrying amount of the assets of disposal group held for sale being written down to its fair value of RMB8,411,000. There is no change in the valuation technique in 2014.

(f) Estimation of net realisable value for development properties

The Group makes a write down of its development properties after taking into account the Group's recent experience in estimating net realisable values of completed units and properties under development by reference to comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. Market conditions may, however, change which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying amounts of development properties for sale may have to be written down in future periods.

Development properties write-down of approximately RMB51,072,000 was made as at 31 December 2014. The carrying amount of the development properties held for sale was RMB182,990,000 as at 31 December 2014.

If the net present value of estimated cash flows had been lower/higher by 10% from management's estimate of net realisable value, the development properties write-down would have been higher/lower by RMB5,107,000.

6. Revenue

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Revenue from supply of gray water	28,720	19,240
Revenue from construction of water pipeline	27,600	43,354
Revenue from sale of development properties	51,873	92,609
Revenue from real estate management	890	311
	109,083	155,514

7. Other income - net

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Currency translation loss, net	(1,508)	(1,001)
Fair value gains on investment properties	–	5,600
Gain on disposals of property, plant and equipment	12	13
Gain on additions to investment in an associated company	93	–
Interest income from:		
- banks	255	849
- loans to non-related parties	23,843	18,502
- loans to associated companies	4,555	4,754
Impairment loss of property, plant and equipment (Note 14)	–	(592)
Rental income from investment properties (Note 16)	1,245	1,245
Other	(354)	(11)
	28,141	29,359

8. Finance costs

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Interest expense on:		
- bank borrowing	14,123	8,308
- loans from non-related parties	24,786	3,298
- loan from a related party (Note 37(a))	1,967	–
Currency translation loss/(gain)	2,178	(2,991)
	43,054	8,615

9. Employee benefit expense

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Salaries, allowances and bonuses	16,095	12,765
Pension costs of defined contribution plans	5,048	2,833
Employee share option expense (Note 34(b))	4,249	298
Other staff welfare	37	45
	25,429	15,941

Employee benefit expense of RMB3,764,000 (2013: RMB1,577,000) was included in development properties.

10. (Loss)/profit before income tax

The Group's (loss)/profit before income tax is arrived at after charging the following:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Advertising costs	6,175	1,647
Fees on audit services paid/payable to:		
- auditor of the Company	945	869
- other auditors	95	51
Fees on non-audit services paid/payable to:		
- auditor of the Company	–	392
- other auditors	254	203
Cost of inventories consumed [(1)]	8,214	5,515
Cost of land development services rendered [(1)]	–	205
Cost of property development activities [(1)]	43,289	79,330
Depreciation of property, plant and equipment [(2)]	8,542	6,645
Development properties write-down [(1)] (Note 22)	51,072	–
Employee benefit expense [(3)] (Note 9)	21,665	14,364
Impairment loss on trade receivables (Note 27(a))	8,617	–
Impairment loss on other receivables (Note 26)	4,331	–
Legal and professional fees	8,248	5,233
Loss incurred as guarantor (Note 4(b))	4,933	–
Marketing agent fees	921	1,204
Operating lease rental payments	1,031	1,034
Penalty on breach of contract	3,391	–
Travelling costs	1,979	1,967
Utility costs [(4)]	2,477	1,368
Water pipeline installation and construction costs [(1)]	9,520	7,300

(1) The amount was included in cost of sales and services provided.

(2) The amounts of approximately RMB5,408,000 and RMB227,000 (2013: RMB3,983,000 and RMB43,000) were included in cost of sales and services provided and selling and marketing expenses respectively.

(3) The amounts of approximately RMB1,398,000 and RMB390,000 (2013: RMB1,160,000 and RMB90,000) were included in cost of sales and services provided and selling and marketing expenses respectively.

(4) The amount of approximately RMB1,751,000 (2013: RMB1,133,000) was included in cost of sales and services provided.

11. Income tax expense

Tax expense attributable to (loss)/profit is made up of:

	Group 2014 RMB'000	Group 2013 RMB'000
From continuing operations		
(Loss)/profit for the financial year		
Current income tax – PRC enterprise income tax	4,452	16,031
Deferred income tax	(16,430)	(4,625)
	(11,978)	11,406
(Over)/under provision in prior financial years		
Current income tax – PRC enterprise income tax	(476)	2,369
Deferred income tax	(326)	(906)
	(12,780)	12,869
From discontinued operations		
Over provision in prior financial years		
Current income tax – PRC enterprise income tax	–	(77)
Deferred income tax	–	(1,392)
	–	(1,469)
Total income tax expense attributable to continuing and discontinued operations	(12,780)	11,400

Pursuant to relevant laws and regulations in PRC, subsidiaries in PRC are required to pay PRC enterprise income tax at a standard rate of 25% (2013: 25%).

No provision for income tax of Hong Kong entities since there is no assessable profit for the current and prior financial years.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries, in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

11. Income tax expense (Cont'd)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of the principal place of operation of the Group as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Profit/(loss) before income tax from		
- continuing operations	(107,903)	42,861
- discontinued operations	(803)	(11,360)
	(108,706)	31,501
Tax calculated at PRC income tax rate of 25% (2013: 25%)	(27,176)	7,875
Tax effects of:		
- Associated companies results reported net of tax	454	520
- Income not subject to tax	(1,186)	(3,473)
- Expenses not deductible for tax purposes	11,658	7,843
- Over provision of income tax in prior years	(476)	(6)
- Tax losses for which no deferred income tax asset was recognised	4,080	165
- Tax incentives	–	(1,810)
- Other	(134)	286
Income tax expense	(12,780)	11,400

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB4,080,000 (2013: RMB165,000) in respect of losses amounting to RMB16,320,000 (2013: RMB660,000) that can be carried forward against future taxable income. The tax losses can be carried forward up to a period of 5 years.

12. Discontinued operations and disposal group classified as held for sale

CCI Andi Bridges Co., Ltd ("Zuowei"), a 60% equity-owned subsidiary of the Group has been granted 25 years of concession rights on toll collection on 25 December 1998. The Group is only entitled to 55% of the profit or loss due to a profit sharing agreement with the non-controlling shareholder.

On 2 January 2013, the Company announced that Zuowei has been notified by Hebei Provincial Government to cease its toll charging operations effective from 31 December 2012.

As such, the assets and liabilities related to Zuowei, except for the property, plant and equipment, which are not associated with the toll charging operations, are classified as disposal group held for sale on the statement of financial position, and the entire results from Zuowei are presented separately on the statement of comprehensive income as "Discontinued operations".

The local government authority has yet to finalise the compensation quantum as at the end of the reporting period. Management has assessed and is of the view that the delay is caused by events beyond the entity's control and there is no change in the plan to dispose of the toll charging operations. Assets and liabilities of Zuowei that relates to the toll charging operations continue to be classified as disposal group held for sale.

12. Discontinued operations and disposal group classified as held for sale (Cont'd)

(a) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Operating cash flows	(28)	(4,026)
Total cash flows	(28)	(4,026)

(b) Details of the assets in disposal group classified as held for sale are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Intangible asset [(1)]	8,368	8,368
Prepayments, deposits and other receivables	7	7
Cash and bank balances (Note 28)	38	36
	8,413	8,411

(1) Pursuant to the service concession arrangement signed with local government, the Group was allowed to operate and generate toll income from Zuowei bridge and its ancillary facilities for a period of 25 years from the date of commencement of its operation in February 1999. Upon expiration of the concession period, the Zuowei bridge and its ancillary facilities shall be transferred to the local government without compensation.

(c) Details of the liabilities directly associated with disposal group are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Other payables and accruals	474	446

12. Discontinued operations and disposal group classified as held for sale (Cont'd)

(d) Analysis of the results of discontinued operations, and the result recognised on the re-measurement of assets of disposal group are as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Other income	–	3
Less:		
Other operating expenses	(803)	(2,039)
Loss before income tax	(803)	(2,036)
Income tax credit	–	1,469
Loss after tax	(803)	(567)
Pre-tax impairment recognised on the re-measurement of assets of disposal group	–	(9,324)
Post-tax impairment recognised on the re-measurement of assets of disposal group	–	(9,324)
Loss for the financial year from discontinued operations	(803)	(9,891)
Total comprehensive loss attributable to equity shareholders	(442)	(5,440)

Valuation of assets of disposal group classified as held for sale

Assets of disposal group classified as held for sale were written down to their fair value less costs to sell of RMB8,413,000 (2013: RMB8,411,000). This is a non-recurring fair value which has been measured using unobservable inputs with reference to the guidelines issued by the Department of Transportation of PRC, and is therefore within the Level 3 of the fair value hierarchy.

Valuation processes of the Group

The finance team of the Group performs the valuation of the assets of disposal group classified as held for sale based on the discussion with local government authority to assess the likelihood of compensation, with reference to the guidelines issued by the Department of Transportation of PRC, and reports directly to the chief financial officer ("CFO") and the Audit Committee ("AC"). Discussions of valuation processes and results are held between the CFO, AC and the finance team at the end of the reporting period.

13. (Loss)/earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the deemed exercise of the share options outstanding during the financial year have been issued at no consideration.

The share options of 98,500,000 (2013: 44,500,000) are anti-dilutive as (i) the Group recorded loss for the financial year ended 31 December 2014 and (ii) the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the financial year ended 31 December 2013.

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	2014	2013
(Loss)/profit attributable to owners of the parent (RMB'000)		
- continuing operations	(75,518)	19,879
- discontinued operations	(442)	(5,440)
	(75,960)	14,439
Weighted average number of ordinary shares in issue ('000)	967,480	874,604
Basic and diluted (loss)/earnings per share (RMB (Fen))		
- continuing operations	(7.80)	2.27
- discontinued operations	(0.05)	(0.62)
	(7.85)	1.65

14. Property, plant and equipment

Group	Leasehold land and buildings RMB'000	Waterplant and its ancillary facilities RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
2014							
Cost							
Beginning of financial year	36,724	94,594	265	3,648	10,504	91,938	237,673
Transfer	–	1,440	–	–	–	(1,440)	–
Additions	349	–	–	148	954	65,956	67,407
Disposals	–	–	–	–	(125)	–	(125)
End of financial year	37,073	96,034	265	3,796	11,333	156,454	304,955
Accumulated depreciation and impairment losses							
Beginning of financial year	8,339	11,386	154	2,037	5,120	–	27,036
Depreciation charge	1,664	5,379	29	502	1,950	–	9,524
Disposals	–	–	–	–	(125)	–	(125)
End of financial year	10,003	16,765	183	2,539	6,945	–	36,435
Net book value							
End of financial year	27,070	79,269	82	1,257	4,388	156,454	268,520
2013							
Cost							
Beginning of financial year	26,438	57,430	185	2,364	6,315	14,514	107,246
Transfer	–	37,164	–	–	–	(37,164)	–
Acquisition of subsidiaries (Note 39(b))	7,465	–	–	872	3,923	73,000	85,260
Additions	2,821	–	80	412	308	41,588	45,209
Disposals	–	–	–	–	(42)	–	(42)
End of financial year	36,724	94,594	265	3,648	10,504	91,938	237,673
Accumulated depreciation and impairment losses							
Beginning of financial year	6,251	7,434	125	1,663	4,018	–	19,491
Depreciation charge	1,540	3,952	29	330	1,144	–	6,995
Impairment loss (Note 7)	548	–	–	44	–	–	592
Disposals	–	–	–	–	(42)	–	(42)
End of financial year	8,339	11,386	154	2,037	5,120	–	27,036
Net book value							
End of financial year	28,385	83,208	111	1,611	5,384	91,938	210,637

Depreciation charge of RMB982,000 (2013: RMB350,000) has been capitalised and included in the development properties.

14. Property, plant and equipment (Cont'd)

Included in additions are construction costs accrued for the construction in progress amounting to RMB31,691,000 (2013: RMB nil).

The Group's leasehold land and buildings are located in PRC.

In March 2006, CIHL (Tianjin) Water Development Company Limited ("Water Development") obtained approval from the local government agency, to authorise the use of the parcel of land directly associated with water plant and its ancillary facilities for the purpose of supplying gray water for a period of 50 years. As at 31 December 2014, the legal title for the use of the above-mentioned parcel of land was not transferred to Water Development. Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, management considers that the Group obtained the right to use through contractual arrangement with the local government agency, hence they expect the transfer of legal titles in future should have no major difficulties.

Construction in progress represents construction of ancillary facilities of water supply services and convention center under Water Development and Yichang Xinshougang Property Development Company Limited respectively.

An impairment loss of RMB548,000 and RMB44,000 was recognised on the Group's leasehold land and buildings and office equipment related to the discontinued operations (Note12) for financial year ended 31 December 2013. This was due to the recoverable amounts of the land and buildings and office equipment were lower than their carrying amounts as at 31 December 2013. The recoverable amounts were determined by management based on the estimated fair value less costs to sell, using unobservable inputs, and is therefore within Level 3 the fair value hierarchy. There is no change in the estimated fair value less costs to sell as at 31 December 2014.

Collaterised borrowing is secured on land and buildings of the Group and ancillary facilities of the water supply services of the Group with carrying amounts of RMB16,074,000 and RMB45,033,000 (2013: RMB17,244,000 and RMB48,114,000) respectively (Note 29).

15. Intangible assets

	Group	
	2013	**2014**
	RMB'000	**RMB'000**
Cost		
Beginning and end of financial year	122	122
Accumulated amortisation		
Beginning and end of financial year	–	–
Net book value		
End of financial year	122	122

Intangible assets of the Group represent computer software.

16. Investment properties

	Group	
	2014	2013
	RMB'000	RMB'000
Beginning of financial year	33,100	27,500
Fair value gains recognised in profit or loss	–	5,600
End of financial year	33,100	33,100

The Group's investment properties are located in Beijing, PRC and are held as office building to generate rental income.

Investment properties are leased to a non-related party under operating leases (Note 43(b)).

Investment properties are mortgaged to secure collaterised borrowing (Note 29).

The following amounts are recognised in profit or loss:

	Group	
	2014	2013
	RMB'000	RMB'000
Rental income (Note 7)	1,245	1,245
Direct operating expenses (including repairs and maintenance)	189	190

At the end of the reporting period, the details of the Group's investment properties are as follows:

Location	Description	Existing use	Tenure	Unexpired term of lease
Webok-times Center, No.17 Zhongguancun South Main Street, Haidian District, Beijing, PRC	23-storey office building	Office	Leasehold	57 years

16. Investment properties (Cont'd)

Fair value hierarchy

	Fair value measurement using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
31 December 2014			
- Office buildings - PRC	–	33,100	–
31 December 2013			
- Office buildings - PRC	–	33,100	–

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been generally derived using the market value approach, by making reference to sales evidence as available in the market. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square metre.

Investment properties are carried at fair value which has been determined based on valuations performed at the end of the reporting period. The valuations are based on the properties' highest-and-best-use, performed by Roma Appraisals Limited, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

There was no change in valuation technique in 2014.

17. Goodwill arising on consolidation

	Group	
	2014 RMB'000	2013 RMB'000
Cost and carrying amount		
Beginning and end of financial year	20,303	20,303

Goodwill arising from business combination is allocated to water supply service cash-generating unit ("CGU") comprising CIHL (Tianjin) Water Development Co., Limited ("Water Development") in PRC at acquisition. This CGU is expected to benefit from that business combination.

17. Goodwill arising on consolidation (Cont'd)

The recoverable amount of the CGU has been determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate, growth rate, budgeted gross margin and revenue during the period. The management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The finance team prepares cash flow forecasts derived from the most recent financial budgets approved by the management covering a ten-year period with a growth rate of 32% (2013: 28%). Discount rate of approximately 17.17% (2013: 23.8%) was used for the cash flow forecasts as at 31 December 2014.

Management is of the opinion that a ten-year period is appropriate as the rights to use the parcel of land associated with water plant and its ancillary facilities for supplying of gray water are more than ten years and the nature of the business of this CGU is considered fairly stable.

If the estimated growth rate used in the value-in-use calculation for this CGU had declined by 7.83% (2013: 15.74%), estimated pre-tax discount rate applied to the discounted cash flows for this CGU had raised by 0.80% (2013: 6.38%), the recoverable amount of the CGU would equal to the carrying amount.

18. Investments in subsidiaries

	Company	
	2014	**2013**
	RMB'000	**RMB'000**
Unlisted investments, at cost		
Beginning of financial year	264,060	264,060
Disposal	(49)	–
End of financial year	264,011	264,060
Less: Impairment losses	(44,011)	(44,011)
	220,000	220,049
Due from subsidiaries	529,600	533,072
Less: Impairment losses	(15,379)	(15,379)
	514,221	517,693
Due to subsidiaries	137,995	157,317

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayments. These amounts are denominated in Renminbi.

18. Investments in subsidiaries (Cont'd)

The Group had the following subsidiaries as at 31 December 2014:

Name of companies	Principal activities	Place of incorporation/ establishment	Issued and paid-up capital	Proportion of ordinary shares directly held by parent* 2014	Proportion of ordinary shares directly held by parent* 2013	Proportion of ordinary shares held by the Group 2014	Proportion of ordinary shares held by the Group 2013	Proportion of ordinary shares held by non-controlling interests 2014	Proportion of ordinary shares held by non-controlling interests 2013
				%	%	%	%	%	%
Held by the Company									
(a)(b) Hebei Bridges Investments Limited ("HBIL")	Investment holding	Samoa	US$2,891,567	100	100	100	100	–	–
(a)(b) Tianjin Bridges Investments Limited ("TBIL")	Investment holding	Samoa	US$28,915,663	100	100	100	100	–	–
(a)(c) China Toll Bridges & Roads (S) Pte. Limited ("CTBR")	Dormant	Singapore	US$9,780	–	100	–	100	–	–
(a)(d) China Infrastructure Management (Hong Kong) Limited ("CIMHK")	Provision of management services to the Group	Hong Kong	HK$10,000	100	100	100	100	–	–
(a)(b) China (Tianjin) Water Resources Limited ("CTWRL")	Investment holding	Samoa	US$1	100	100	100	100	–	–
(a)(b) CIHL Development Limited ("CIHL Dev")	Investment holding	Samoa	US$1	100	100	100	100	–	–
(a)(b) Pinnacle China Ltd ("PCL")	Investment holding	British Virgin Islands	US$1	100	100	100	100	–	–
Held by HBIL									
(a)(e) CCI Andi Bridges Co., Ltd ("Zuowei")	Toll bridge operations and management	PRC	US$2,410,000	–	–	60	60	40	40
Held by TBIL									
(a)(f) CIH Haimen (Tianjin) Enterprise Limited ("Haimen")	Dormant	PRC	RMB48,000,000	–	–	75	75	25	25

18. Investment in subsidiaries (Cont'd)

Name of companies	Principal activities	Place of incorporation/ establishment	Issued and paid-up capital	Proportion of ordinary shares directly held by parent* 2014	2013	Proportion of ordinary shares held by the Group 2014	2013	Proportion of ordinary shares held by non-controlling interests 2014	2013
				%	%	%	%	%	%
Held by CTWRL									
(a)(g) CIHL (Tianjin) Water Development Co., Limited ("Water Development")	Construction of water pipeline and supply of gray water	PRC	RMB60,000,000	–	–	60	60	40	40
Held by CHIL Dev									
(a)(h) CIHL (Tianjin) City Development Limited ("XZCID")	Investment holding and property investment	PRC	RMB50,000,000	–	–	100	100	–	–
Held by XZCID									
(a)(i)(m) Beijing Kaiyuanwanjia Management Consulting Limited ("KYWJ")	Investment holding	PRC	RMB4,444,445	–	–	55	55	45	45
(a)(j) Tianjin CIHL Xinzhong Real Estate Development Co., Limited. ("XZPD")	Property development	PRC	RMB30,000,000	–	–	100	100	–	–
(a)(k) Beijing Shiji Longquan Real Estate Development Co., Limited ("SJLQ")	Provision of engineering and land leveling service for preliminary land development projects	PRC	RMB10,000,000	–	–	100	100	–	–
Held by KYWJ									
(a)(l)(m)(n) Yichang Xinshougang Property Development Company Limited ("XSG")	Property development and asset management	PRC	RMB120,000,000	–	–	55	55	45	45
Held by XSG									
(a)(b)(m) Yichang Zhong Xiang Property Management Company Limited ("ZX")	Real estate management	PRC	RMB500,000	–	–	38.5	38.5	61.5	61.5

* Parent is referring to the Company.

18. Investments in subsidiaries (Cont'd)

(a) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Audited by Robert Tan & Co., Singapore, CTBR is in the process of deregistration as at 31 December 2014.

(d) Not required to be audited under the laws of country of incorporation. However, the Group has appointed Andrew K.C. Lai & Company, Hong Kong as auditor of CIMHK.

(e) Audited by Zhangjiakou Zhangyuan Certified Public Accountants Co., Ltd., PRC. The Group is only entitled to 55% of the profit or loss due to a profit sharing agreement with the non-controlling shareholder.

(f) Audited by CHW CPA Limited Liability Partnership, PRC.

(g) Audited by BDO Zhonglian Mindu Shu Lun Pan Certified Public Accountants Co., Ltd., PRC.

(h) Audited by Beijing Zhong Sheng Jia Hua Certified Public Accountants Co., Ltd., PRC. XZCID operates a branch office 天津新中城市實業發展有限公司北京工程管理分公司 ("XZCID Beijing Branch") with statutory registration in Beijing, PRC.

(i) Audited by Beijing XingHua Certified Public Accountants, PRC.

(j) Audited by Tianjin ChengTai Certified Public Accountants Co. Ltd., PRC.

(k) Audited by Beijing ZhongYanTong Certified Public Accountant Co., Ltd., PRC. On 4 January 2013, CIHL Dev acquired the remaining 5% equity interest of SJLQ from existing non-controlling shareholder for a purchase consideration of RMB500,000, thereby making it a wholly-owned subsidiary. (Note 36)

(l) Audited by Hubei HuaShen Certified Public Accountants Co., Ltd., PRC.

(m) Being subsidiaries acquired during the financial year ended 31 December 2013. (Note 39)

(n) The ordinary shares of XSG have been pledged to a financial institution as a security for short-term borrowings of the Group (Note 29(b)).

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and associated companies would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

Summarised financial information of subsidiaries with material non-controlling interests

The total non-controlling interest for the financial year is RMB331,527,000 (2013: RMB351,493,000), of which RMB243,427,000 (2013: RMB269,321,000) is for KYWJ and its subsidiaries ("KYWJ Group") and RMB63,827,000 (2013: RMB56,981,000) is attributed to Water Development. The other subsidiaries with immaterial non-controlling interests amounts to RMB24,273,000 (2013: RMB25,191,000).

18. Investments in subsidiaries (Cont'd)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

See Note 36 for transactions with non-controlling interests.

Summarised statement of financial position

	Water Development		KYWJ Group	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 31 December				
Current				
Assets	247,615	261,675	1,059,765	1,129,616
Liabilities	(69,669)	(64,381)	(530,689)	(465,277)
Total current net assets	177,946	197,294	529,076	664,339
Non-current				
Assets	91,500	93,539	165,728	104,077
Liabilities	(109,869)	(148,371)	(153,517)	(169,813)
Total non-current net (liabilities)/assets	(18,369)	(54,832)	12,211	(65,736)
Net assets	159,577	142,462	541,287	598,603

Summarised statement of comprehensive income

	Water Development		KYWJ Group	
	For financial year ended		For financial year ended	For the period from 17 September 2013 (date of acquisition) to 31 December
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	56,320	62,594	52,763	92,920
Profit/(loss) before income tax	19,551	28,575	(72,469)	7,693
Income tax (expense)/credit	(2,436)	(8,967)	15,153	(532)
Profit/(loss) for the financial year	17,115	19,608	(57,316)	7,161
Profit/(loss) for the financial year allocated to non-controlling interests	6,846	7,843	(25,894)	3,201

18. Investments in subsidiaries (Cont'd)

Summarised cash flows

	Water Development For financial year ended 2014 RMB'000	Water Development For financial year ended 2013 RMB'000	KYWJ Group For financial year ended 2014 RMB'000	KYWJ Group For the period from 17 September 2013 (date of acquisition) to 31 December 2013 RMB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	32,186	34,139	(82,192)	24,140
PRC income tax paid	(813)	(9,449)	(16,455)	–
Net cash generated from/(used in) operating activities	31,373	24,690	(98,647)	24,140
Net cash used in investing activities	(6,194)	(212,128)	(32,378)	(19,606)
Net cash (used in)/generated from financing activities	(35,297)	175,360	120,500	–
Net (decrease)/increase in cash and cash equivalents	(10,118)	(12,078)	(10,525)	4,534
Cash and cash equivalents				
Beginning of financial year	20,520	32,598	14,881	10,347
End of financial year	10,402	20,520	4,356	14,881

The information above is the amount before inter-company eliminations.

19. Investments in associated companies

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Unlisted investments in associated companies	(a)	99,603	97,040
Due from associated companies	(b)	74,052	59,115
Interest receivables (included in prepayments, deposits and other receivables)		1,418	6,491
		175,073	162,646

19. Investments in associated companies (Cont'd)

There are no contingent liabilities relating to the Group's interest in the associated companies.

(a) Investments in associated companies

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Investment in Future Trillion Group	(i)	54,163	55,190
Investment in Liuhe Group	(ii)	45,440	41,850
		99,603	97,040

(i) Investment in Future Trillion Group

	Group 2014 RMB'000	Group 2013 RMB'000
Unlisted investments		
Share of net assets	13,143	14,984
Goodwill	41,020	40,206
	54,163	55,190

Details of Future Trillion Group are as follows:

Name of companies	Principal activities	Place of incorporation /registration	Issued and paid up capital	Equity holding 2014 %	Equity holding 2013 %
(a)(b) Future Trillion Holdings Limited ("FT")	Investment holding	British Virgin Islands	US$3,055	34.53	34.53
Held by FT					
(a)(c) MKS Limited ("MKS")	Provision for oil and gas exploration	Independent State of Papua New Guinea	Kina7,257,000	28.35	28.35

(a) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Audited by A & A Registered Public Accountant, Papua New Guinea.

19. Investments in associated companies (Cont'd)

(a) Investments in associated companies (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

Set out below are the summarised financial information for Future Trillion Group which are accounted for using the equity method.

Summarised statement of financial position

	2014 RMB'000	2013 RMB'000
As at 31 December		
Current		
Cash and cash equivalents	469	1,111
Other current assets (excluding cash)	56	58
Total current assets	525	1,169
Total current liabilities	63,403	61,869
Non-current		
Assets	106,079	109,623
Net assets	43,201	48,923
Less: Non-controlling interests	(5,138)	(5,529)
Net assets attributable to owners of Future Trillion Group	38,063	43,394

Summarised statement of comprehensive income

	2014 RMB'000	2013 RMB'000
For the financial year ended 31 December		
Revenue	–	–
Depreciation and amortisation	–	–
Interest income	–	–
Interest expense	(3,627)	(4,032)
Loss for the financial year	(3,903)	(5,477)
Loss for the financial year allocated to non-controlling interests	(49)	(259)
Share of loss of associated company	(1,331)	(1,802)

The information above reflects the amounts presented in the financial statements of the associated companies (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and Future Trillion Group.

19. Investments in associated companies (Cont'd)

(a) Investments in associated companies (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

Set out below are the reconciliation of the summarised financial information presented to the carrying amount of Group's interest in Future Trillion Group.

	2014 RMB'000	2013 RMB'000
Summarised financial information		
Opening net assets		
1 January	48,923	62,963
Loss for the financial year	(3,903)	(5,477)
Other comprehensive loss	(1,819)	(8,563)
Closing net assets	43,201	48,923
Less: Non-controlling interests	(5,138)	(5,529)
Closing net assets attributable to owners of Future Trillion Group	38,063	43,394
Interest in associates (34.53%)	13,143	14,984
Goodwill	41,020	40,206
Carrying value	54,163	55,190

Future Trillion Group obtained an exploration right license of an oil and gas exploration project in June 2008. The exploration right license was expired on June 2014 and the first extension license was granted on December 2014 for a period of 5 years. Details of the exploration right license are as follows:

Name of license	Location	Area of license	Expiration date
Petroleum Prospecting License (License number: 294)	Independent State of Papua New Guinea	Approximately 2,600 km^2	March 2020

Future Trillion Group undertook several exploration tasks during the financial year ended 31 December 2014. Based on integration of the new surface geology data, the re-processing and re-interpretation of seismic data, and the construction of 3D subsurface structure models, a re-evaluation of the entire license area provides a more prospective view for the license and a more confident interpretation model for Tumuli structure. As a result, the Tumuli structure is considered to be more reliable, the level of geological risk has been reduced and a number of new structures are identified for future exploration to increase the resources in the area covered by the license.

19. Investments in associated companies (Cont'd)

(a) Investments in associated companies (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

The project is still in exploration stage, the future prospect of the Group's investment in Future Trillion Group is largely dependent on the discovery of the existence of economic viable resources of the oil and gas exploration project. Further exploration will be needed to ensure the Tumuli structure contains economically viable resources by drilling and to improve the geological maturity of new identified structures by geological survey and seismic acquisition.

(ii) Investment in Liuhe Group

	Group	
	2014 RMB'000	2013 RMB'000
Unlisted investments		
Share of net assets	28,396	24,806
Goodwill	17,044	17,044
	45,440	41,850

Details of Liuhe Group are as follows:

Name of companies	Principal activities	Place of incorporation/ registration	Issued and paid up capital	Equity holding 2014	Equity holding 2013
			RMB'000	%	%
(a)(b)(c) LiuHe County YuKun Mining Co. Ltd. ("Liuhe") ("柳河县钰坤矿业有限公司")	Gold exploration and production	PRC	83,356	20.054	19.9
Held by Liuhe					
(a)(b)(d) LiuHe County AiPuLei Mining Co. Ltd. ("Aipulei") ("柳河县爱普勒矿业有限公司")	Gold exploration and production	PRC	500	–	19.9

(a) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) The registered capital increased from RMB64,000,000 to RMB83,356,350 for the financial year ended 31 December 2014. As at 31 December 2014, the Group has fully fulfilled its investment obligation of RMB3,980,000 based on the relative proportion of equity interest in Liuhe. Following the completion of capital injection, the Group's investment in Liuhe increased from 19.9% to 20.054%.

(d) On 13 September 2013, Aipulei has obtained approval for deregistration from Liuhe Industrial and Commercial Administrative office. The deregistration process was completed on 24 January 2014.

The associated company, Liuhe, pledged its ordinary shares of RMB64,000,000 to a bank as security for bank borrowings since financial year ended 31 December 2013.

19. Investments in associated companies (Cont'd)

(a) Investments in associated companies (Cont'd)

(ii) Investment in Liuhe Group (Cont'd)

Set out below are the summarised financial information for Liuhe Group which are accounted for using equity method.

Summarised statement of financial position

	2014 RMB'000	2013 RMB'000
As at 31 December		
Current		
Cash and cash equivalents	677	423
Other current assets (excluding cash)	5,597	2,490
Total current assets	6,274	2,913
Total current liabilities	89,613	58,450
Non-current		
Assets	266,995	226,189
Financial liabilities	20,000	24,000
Other liabilities	22,000	22,000
Total non-current liabilities	42,000	46,000
Net assets	141,656	124,652

Summarised statement of comprehensive income

	2014 RMB'000	2013 RMB'000
For the financial year ended 31 December		
Revenue	–	–
Depreciation	41	73
Interest income	10	6
Interest expense [(1)]	–	–
Loss for the financial year	(2,410)	(1,403)
Share of loss of associated company	(483)	(279)
Gain on additions to investment	92	–

(1) Borrowing costs of RMB7,028,199 (2013: RMB5,068,000) was capitalised for financial year ended 31 December 2014. Interest rate range from 12%-15% (2013: 12%-15%) were used, representing the borrowing costs of the loans used to finance the operations.

19. Investments in associated companies (Cont'd)

(a) Investments in associated companies (Cont'd)

(ii) Investment in Liuhe Group (Cont'd)

The information above reflects the amounts presented in the financial statements of the associated companies (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and Liuhe Group.

Set out below are the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Liuhe Group.

	2014 RMB'000	2013 RMB'000
Summarised financial information		
Opening net assets		
1 January	124,652	126,055
Proceeds from increase in share capital	19,356	–
Loss for the financial year	(2,410)	(1,403)
Closing net assets	141,598	124,652
Interest in associates (2014: 20.054%, 2013: 19.9%)	28,396	24,806
Goodwill	17,044	17,044
Carrying value	45,440	41,850

Liuhe Group holds a mining right license and an exploration right license in the surrounding area associated with the mining right expiring in November 2017 and exploration right expiring in December 2014 respectively. During the financial year, Liuhe Group completed several geological and technical studies to establish the existence of proved and probable mine reserve estimates of the surrounding area of the existing mining license, has substantially completed construction of production facilities at the mining site, and has commenced test run production during the financial year.

Details of the exploration and mining right licenses are as follows:

Name of license	Location	Mining capacity	Area of license	Expiration date
Mining right license ("采矿许可证") (License number: C2200002010124120089728)	PRC	99,000 ton / year	1.28km^2	November 2017
Exploration right license ("矿产资源勘查许可证") (License number: T22120101202043010)	PRC	N/A	26.81km^2	December 2014*

* As at 31 December 2014, Liuhe is in the process of renewing its exploration right license.

19. Investments in associated companies (Cont'd)

(b) Due from associated companies

(i) Due from Future Trillion of approximately RMB65,616,000 (2013: RMB52,252,000) is denominated in United Stated Dollars, and is secured by equity interests in Future Trillion Group held by its controlling shareholder and corporate guarantee executed by the controlling shareholder of Future Trillion, interest bearing at 6% (2013: 6%) per annum and is repayable in 2015; and

(ii) Due from Liuhe Group of approximately RMB8,436,000 (2013: RMB6,863,000) is denominated in Renminbi, and is unsecured, interest bearing at 12% to 15% (2013: 12%) per annum and is repayable in 2015.

The fair values of the amounts due from associated companies approximate their carrying amounts.

20. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Deferred tax assets:		
To be recovered within 12 months	839	705
Deferred tax liabilities:		
To be settled within 12 months	(16,349)	(32,971)
To be settled after more than 12 months	(142,789)	(142,789)
	(159,138)	(175,760)
Deferred tax liabilities - net	(158,299)	(175,055)

The gross movement on the deferred income tax account is as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Beginning of financial year	175,055	4,848
Acquisition of subsidiaries (Note 39(b))	–	175,738
Credited to profit or loss	(16,756)	(5,531)
End of financial year	158,299	175,055

20. Deferred income tax (Cont'd)

The movement in deferred income tax assets and liabilities during the financial year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation RMB'000	Fair value gains on investment properties RMB'000	Fair value gains on development properties RMB'000	Other RMB'000	Total RMB'000
Group					
2014					
Beginning of financial year	763	4,833	169,813	351	175,760
Credited to profit or loss	(326)	–	(16,296)	–	(16,622)
End of financial year	437	4,833	153,517	351	159,138
2013					
Beginning of financial year	1,670	3,433	–	351	5,454
Acquisition of subsidiaries (Note 39(b))	–	–	175,738	–	175,738
(Credited)/charged to profit or loss	(907)	1,400	(5,925)	–	(5,432)
End of financial year	763	4,833	169,813	351	175,760

Deferred tax assets	Accelerated tax depreciation RMB'000
Group	
2014	
Beginning of financial year	(705)
Credited to profit or loss	(134)
End of financial year	(839)
2013	
Beginning of financial year	(606)
Credited to profit or loss	(99)
End of financial year	(705)

Deferred income tax liabilities of RMB6,948,000 (2013: RMB10,018,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries (established in PRC) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

21. Loan receivable

	Group 2014 RMB'000	Group 2013 RMB'000
Current		
Loan to a non-related party	150,000	–
Non-current		
Loan to a non-related party	–	150,000

On 9 April 2012, the Group entered into loan arrangements with a non-related party to extend a loan of RMB150,000,000. This loan is unsecured, interest-bearing at 9.25% (2013: 9.25%) per annum and will be repayable in full on 9 April 2015.

The carrying amount and fair value of the non-current loan receivable are as follows:

	Group 2014		Group 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Loan to a non-related party	–	–	150,000	149,580

The fair value of current loan receivable equals its carrying amount, as the impact of discounting is not significant. The fair value was determined from the cash flow analysis, discounted at annual market borrowing rate of 6.15% of an equivalent instrument at the end of the reporting period which management expects to be available to the Group. The fair value was within Level 2 of the fair value hierarchy.

The carrying amount of the loan receivable is denominated in Renminbi.

22. Development properties

	Group 2014 RMB'000	Group 2013 RMB'000
Properties held for sale	182,990	266,622
Properties under development	1,096,644	1,031,852
	1,279,634	1,298,474

The cost of development properties recognised as an expense in "cost of sales and services provided" includes a write-down of RMB51,072,000 (2013: RMB nil).

22. Development properties (Cont'd)

The Group makes makes a write down of its development properties after taking into account the Group's recent experience in estimating net realisable values of completed units and properties under development by reference to comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. There could be changes in future market conditions which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying value of development properties for sale may have to be written down in future periods.

Development properties of RMB1,010,301,000 (2013: RMB1,031,852,000) are expected to be recovered after more than 12 months.

The land use rights of properties under development amounted to RMB702,979,000 (2013: RMB nil) has been pledged as security for short-term borrowings of the Group (Note 29).

As at 31 December 2014, the development properties held by the Group are as follows:

Location	Description	Tenure	Stage of completion	Expected date of completion	Total approximate site area (sq. m)	Total gross floor area (sq. m)	Main usage	Group's effective interest in the property
Meiziya Village, Xiaoxita, Yiling District, Yichang City, Hubei Province, PRC	The property is subjected to a right to use of land till (i) 28 December 2076 for residential purpose; and (ii) 28 December 2046 for commercial, tourism and convention purpose.	Leasehold	17.8%	Before 2020	530,722	666,744*	Residential and commercial	55%
					23,060	48,515	Hotel	
					553,782	715,259		
Tianjin City, PRC	The property is subjected to a right to use of land till 14 December 2080	Leasehold	Note (a)	Before September 2018	121,779	Note (a)	Residential	100%

(a) In August 2010, the Group acquired the land use rights of a parcel of land located in Tianjin, PRC, for property development through public auction at a consideration of RMB200,000,000. As at 31 December 2014, the property development project was under preliminary design stage and no substantial construction works have been commenced subsequent to the end of the reporting period.

* As at 31 December 2014, approximate 77,782 square metre (2013: 72,098 square metre) has been sold.

23. Inventories

	Group 2014 RMB'000	Group 2013 RMB'000
Raw materials for construction of water pipeline	1,140	1,671

The cost of inventories recognised as an expense and included in water pipeline installation and construction costs in "cost of sales and services provided" amounted to RMB4,143,000 (2013: RMB3,282,000).

24. Gross amounts due from/(to) customers for contract work

	Group 2014 RMB'000	Group 2013 RMB'000
The aggregate costs incurred and recognised profits (less recognised losses) to date	22,299	33,929
Less: Progress billings	(11,068)	(21,207)
	11,231	12,722
Gross amount due from customers for contract work	15,472	15,634
Gross amount due to customers for contract work	(4,241)	(2,912)
	11,231	12,722

Advances received in respect of construction contracts of approximately RMB7,412,000 as at 31 December 2014 (2013: RMB5,885,000) is included in receipts in advance (Note 33).

25. Due from/(to) non-controlling shareholders of subsidiaries

The amounts due from/(to) non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand. At the end of the reporting period, these amounts are denominated in Renminbi, except for an amount of RMB nil (2013: RMB157,860,000) due to a non-controlling shareholder of subsidiaries was denominated in Hong Kong Dollar.

26. Prepayments, deposits and other receivables

		Group		Company	
		2014	2013	2014	2013
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	(a)	11,970	11,820	2	246
Deposits	(b)	1,917	1,873	51	52
Other receivables	(c)	205,666	125,542	–	–
		219,553	139,235	53	298
Less: Allowance for impairment of other receivables		(6,670)	(2,538)	–	–
		212,883	136,697	53	298

The prepayments, deposits and other receivables are mainly denominated in Renminbi.

(a) The Group's prepayments as at 31 December 2014 include the prepaid relocation costs of RMB3,200,000 (2013: RMB3,200,000) in relation to the agreement as disclosed in Note (c) below.

(b) The Group's deposits as at 31 December 2014 include the cash deposited in local government authority of RMB1,080,000 (2013: RMB1,040,000) as guarantee deposits for the mortgage loan facilities granted by local government authority to the buyers of the Group's development properties held for sale. Such guarantee will only be released after the loan has been settled or issuance of the real estate ownership certificate to the buyers, whichever is earlier.

(c) The Group's other receivables as at 31 December 2014 include balance due from a local government agency of approximately RMB2,338,000 (2013: RMB2,338,000). The Group has entered into a contractual arrangement with the local government agency for reimbursement of payments for the upgrade of Haimen bridge in 2008. Pursuant to the contractual arrangement, the balance was overdue and the management has assessed the recoverability of the outstanding balance and full impairment on the outstanding balance has been recognised previously.

The Group's other receivables as at 31 December 2014 include an amount of RMB173,000,000 (2013: RMB104,000,000) receivable from a local government agency in relation to an agreement entered into on 31 July 2012, on a cost-plus project management fee and the cost of project financing basis. The Re-development Centre is a PRC governmental agency under the District Government of Men Tou Gou, Beijing, and is responsible for the residential relocation development projects in Men Tou Gou District. The project is situated in an area of approximately 32,300 square meters in Men Tou Gou District. The Group is responsible for the provision of project financing, site preparation and the construction of 119,500 square meters of relocation housing on the site. The project is funded entirely from internal sources of the Group. This amount is unsecured, interest bearing at 6.15% to 12.00% (2013: 6.15%) per annum. The fair value of this amount approximates its carrying amounts.

During the financial year, the local government agency decided to terminate the arrangement. At the date of this report, the Company is in the midst of finalising the project with the local government agency. On 30 March 2015, the local government agency confirm that the other receivables of RMB173,000,000 will be repaid by 30 April 2015.

26. Prepayments, deposits and other receivables (Cont'd)

The carrying amount of other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Gross	6,670	2,538
Less: Allowance for impairment	(6,670)	(2,538)
	–	–
At 1 January	2,538	2,538
Allowance made (Note 10)	4,331	–
Allowance utilised	(199)	–
At 31 December	6,670	2,538

Included in other receivables is an amount of RMB4,132,000 arises from amount owing by a non-related party relating to the residential allocation development projects as disclosed in Note (c) above, the amount was long overdue and the management has assessed the recoverability and is of the opinion that payments are not forthcoming. Hence, an allowance for impairment has been made by the Group.

27. Trade receivables

		Group	
	Note	**2014**	**2013**
		RMB'000	**RMB'000**
Trade receivables	(a)	14,083	34,845
Bills receivables	(b)	–	16,100
		14,083	50,945
Less: Allowance for impairment of trade receivables		(8,617)	–
		5,466	50,945

Trade receivables and bills receivable are denominated in Renminbi.

(a) Trade receivables

The Group offers 0 to 30 days (2013: 0 to 30 days) credit terms to customers for water supply service and for sale of development properties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The trade receivables of the Group mainly comprise of outstanding balance due from financial institutions in relation to the release of customers' borrowing of mortgage loans.

The trade receivables of the Group comprise 7 debtors (2013: 7 debtors) that individually represent 6% to 19% (2013: 5% to 22%) of trade receivables.

Allowance for impairment of trade receivables of RMB8,617,000 (2013: RMB nil) has been made as at 31 December 2014.

27. Trade receivables (Cont'd)

(a) Trade receivables (Cont'd)

As at 31 December 2014, trade receivables of RMB5,300,000 (2013: RMB34,439,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Management believes that the amounts that are past due are collectible, based on historic payment behaviour and credit-worthiness of the customers.

The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
0 to 30 days	2,730	23,070
More than 30 days	2,570	11,369
	5,300	34,439

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Gross	8,617	–
Less: Allowance for impairment	(8,617)	–
	–	–
At 1 January	–	–
Allowance made (Note 10)	8,617	–
At 31 December	8,617	–

Receivables subject to offsetting arrangement

Certain development properties were sold to customers who are also sub-contractors of the Group. Both parties have an arrangement to settle the net amount due to or from each other upon the finalisation of the sub-contractor accounts. At financial year ended 31 December 2014, trade receivables from customers with rights to offset against construction payables, amount to RMB nil (2013: RMB8,675,000).

27. Trade receivables (Cont'd)

(b) Bills receivable

Bills receivable have a maturity period of 90 - 180 days and are negotiable at their nominal value or may be converted into cash at the option of the bearer at a discounted rate against their nominal value of approximately 3% to 5.8% per annum. There were no bills receivable as at 31 December 2014 (2013: RMB16,100,000).

The maximum exposure to credit risk at the end of the reporting period is the carrying value of the trade receivables. The development properties sold to customers were held as security until settlement of the outstanding trade receivables from the customers, amounted to RMB4,533,000 (2013: RMB28,267,000).

28. Cash and cash equivalents

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank and on hand	51,427	45,464	*	*
Restricted bank balances	3,238	2,270	–	–
	54,665	47,734	*	*

* Less than RMB1,000

Details of restricted bank balances are as follow:

	Group	
	2014 RMB'000	2013 RMB'000
Restricted bank balances for sale of development properties [(a)]	3,095	2,117
Restricted bank balances for purchases of construction material	–	10
Restricted bank balances for a land development project [(b)]	143	143
	3,238	2,270

(a) Amounts represent cash deposited in certain banks as guarantee deposits for the mortgage loan facilities granted by the banks to the buyers of the Group's development properties. Such guarantee will only be released after the loan has been settled or issuance of the real estate ownership certificate to the buyers, whichever is earlier.

(b) Restricted bank balances of approximately RMB143,000 (2013: RMB143,000) was placed for securing the performance and fund utilisation for a land development project of the Group.

28. Cash and cash equivalents (Cont'd)

The total cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Renminbi	51,971	46,956	–	–
Hong Kong Dollar	2,668	757	–	–
United States Dollar	7	4	–	–
Singapore Dollar	19	17	*	*
	54,665	47,734	*	*

* Less than RMB1,000

Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorised to conduct foreign exchange business. These local exchange control regulations imposed restriction on exporting capital from the country, other than through normal dividends.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2014 RMB'000	2013 RMB'000
Cash and bank balances (as above)	54,665	47,734
Less: Restricted bank balances	(3,238)	(2,270)
Cash held by discontinued operations (Note 12(b))	38	36
Cash and cash equivalents per consolidated statement of cash flows	51,465	45,500

29. Borrowings

	Group	
	2014 RMB'000	2013 RMB'000
Secured borrowing		
Current		
Collaterised borrowing	38,207	35,297
Short-term borrowings	414,555	–
	452,762	35,297
Non-current		
Collaterised borrowing	109,869	148,076
Total borrowings	562,631	183,373

Collaterised borrowing and short-term borrowings are denominated in Renminbi.

29. Borrowings (Cont'd)

(a) Collaterised borrowing

During the financial year ended 31 December 2013, the Group entered into a series of transactions with several parties, which involved a bank, a trust company and a finance lease company. Under this arrangement, the ancillary facilities of the water supply services of the Group and its entire pipeline network ("water plant assets") are sold and leaseback from the finance lease company. The sales proceeds amounted to approximately RMB200,000,000 and the lease rental and period are as follows:

Quarterly rental	:	RMB12,320,000
Lease period	:	27 June 2013 to 28 June 2018
Effective interest rate	:	8.32%

However, the sales proceeds are financed by a bank, through the finance lease company. The lease payments to the finance lease company will be paid to the bank via the trust company. Water plant assets are pledged to the trust company.

The ancillary facilities of the water supply services are specialised in nature and it is unlikely that a third party would be able to use and operate the assets.

The Group still retains all the risks and rewards incident to ownership of the underlying assets and enjoys substantially the same rights to their uses as before the arrangement. A repurchase agreement is included in the arrangement for the Group to buy back the assets at nominal value at the end of the lease term.

Although the arrangement is in the legal form of a lease, management concluded that the arrangement is in substance a collateralised borrowing, because the assets of the arrangement are indispensable and the Group is bound to buy back the assets at the end of the lease term. Therefore, at inception of the arrangement, the Group recognised a liability at an amount equal to the fair value of the sales consideration, net of transactions costs and subsequently carried at amortised cost.

Certain land and buildings (Note 14) and investment properties of the Group (Note 16) are pledged as security for this collaterised borrowing.

The Group is not significantly exposed to interest rate risk for this borrowing.

At the end of the reporting period, the fair value of non-current collaterised borrowing approximates its carrying amount. The fair value is determined from the cash flow analysis, discounted at annual market borrowing rate of 8.32% (2013: 8.32%) of an equivalent instrument at the end of the reporting period which management expects to be available to the Group. The fair value is within Level 2 of the fair value hierarchy.

(b) Short-term borrowings

Short-term borrowings of the Group are secured over share equity in one of the subsidiaries held by the Group, Yichang Xinshougang Property Development Company Limited (Note 18(n)); land use rights of properties under development of the Group (Note 22); and land use rights of a company related by common director.

30. Loan payables

	Group 2014 RMB'000	Group 2013 RMB'000
Current		
Loans from non-related parties	147,623	–
Non-current		
Loans from non-related parties	–	145,445

On 9 April 2012, the Group entered into loan arrangements with two non-related parties to secure loans for amounts of HK$159,400,000 and HK$25,199,000 respectively. These loans are unsecured, interest-bearing at 2.25% (2013: 2.25%) per annum and will be repayable in full on 9 April 2015.

The carrying amounts and fair values of the non-current loan payables are as follows:

	Group 2014		Group 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Loans from non-related parties	–	–	145,445	135,856

The fair values are determined from the cash flow analysis, discounted at annual market borrowing rate of 5.00% of an equivalent instrument at the end of the reporting period which management expects to be available to the Group. The fair values are within Level 2 of the fair value hierarchy.

The fair value of current loan payables equals its carrying amount, as the impact of discounting is insignificant.

31. Other payables and accruals

		Group		Company	
	Note	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Accruals	(a)	92,238	69,771	1,171	1,427
Other payables	(b)	45,882	81,744	1,161	1,161
		138,120	151,515	2,332	2,588

The other payables and accruals are mainly denominated in Renminbi.

(a) Included in accruals are land appreciation tax and accrued construction costs of RMB28,062,000 and RMB54,434,000 (2013: RMB33,743,000 and RMB28,414,000) respectively relating to the property development segment.

(b) Other payables to non-related parties include a performance guarantee from one of the Group's major contractors for property development, payable land use tax and refundable deposits received from buyers for purchases of properties under development of the Group amounting to RMB nil, RMB1,394,000 and RMB19,690,000 (2013: RMB33,000,000, RMB13,224,000 and RMB23,520,000) respectively.

32. Trade payables

Trade payables generally have credit terms ranging from 0 to 30 days and are denominated in Renminbi.

33. Receipts in advance

	Group	
	2014 RMB'000	2013 RMB'000
Receipts in advance from		
Supply of gray water	7,503	7,411
Construction of water pipeline (Note 24)	7,412	5,885
Sale of development properties	3,753	7,474
	18,668	20,770

34. Share capital

(a) Ordinary shares

	Company 2014 S$'000	Company 2013 S$'000
Authorised:		
20,000,000,000 ordinary shares of S$0.05 each	1,000,000	1,000,000

	Company	
	Number of shares '000	Amount RMB'000
Issued and fully paid:		
Ordinary shares of S$0.05 each		
2014		
Beginning of financial year	874,604	219,943
Shares issued	150,000	37,378
End of financial year	1,024,604	257,321
2013		
Beginning and end of financial year	874,604	219,943

On 27 April 2014, the Company issued 150,000,000 ordinary shares at a premium of S$150,000, equivalent to RMB748,000 for a total cash consideration of S$7,650,000, equivalent to RMB38,126,000. The ordinary shares issued have the same rights as the other shares in issue.

All issued ordinary shares were fully paid. The par value for these ordinary shares is S$0.05.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

34. Share capital (Cont'd)

(b) Share options

The Group adopted a CIHL Share Option Scheme (the "2004 Scheme") on 10 May 2004. Since the commencement of the 2004 Scheme, the Company had granted 90,000,000 options under the 2004 Scheme to participants. Total of 4,500,000 options were exercised since commencement of the 2004 Scheme. The 2004 Scheme was terminated on 2 August 2009 and all of share options under the 2004 Scheme expired before or on 5 August 2013.

A new CIHL Share Option Scheme has been adopted on 8 March 2010 (the "2010 Scheme") and details of the specific categories of share options granted under the 2010 Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
			S$
8 March 2010	50% of 20,000,000 options to be vested on 8 March 2011	8 March 2011 to 7 March 2015	0.075
	50% of 20,000,000 options to be vested on 8 March 2012	8 March 2012 to 7 March 2015	0.075
17 May 2010	50% of 3,000,000 options to be vested on 17 May 2011	17 May 2011 to 16 May 2015	0.087
	50% of 3,000,000 options to be vested on 17 May 2012	17 May 2012 to 16 May 2015	0.087
19 July 2010	50% of 1,500,000 options to be vested on 19 July 2011	19 July 2011 to 18 July 2015	0.079
	50% of 1,500,000 options to be vested on 19 July 2012	19 July 2012 to 18 July 2015	0.079
2 June 2011	50% of 24,500,000 options to be vested on 2 June 2012	2 June 2012 to 1 June 2016	0.052
	50% of 24,500,000 options to be vested on 2 June 2013	2 June 2013 to 1 June 2016	0.052
10 March 2014	50% of 54,000,000 options to be vested on 10 March 2015	10 March 2015 to 9 March 2019	0.0452
	50% of 54,000,000 options to be vested on 10 March 2016	10 March 2016 to 9 March 2019	0.0452

Under the 2010 Scheme, if the share options remain unexercised after a period of 5 years from the date of grant, the share options expire. Share options are forfeited if the employee leaves the Group before the share options vest. Share options previously vested would be lapsed immediately if the employee leaves the Group, unless the remuneration committee otherwise approved.

34. Share capital (Cont'd)

(b) Share options (Cont'd)

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Number of share options '000	**Weighted average exercise price S$**	**Number of share options '000**	**Weighted average exercise price S$**
Outstanding at the beginning of financial year	44,500	0.0641	52,000	0.0645
Granted	54,000	0.0452	–	–
Forfeited	–	–	(3,000)	0.0635
Expired	–	–	(4,500)	0.0700
Outstanding at the end of financial year	98,500	0.0537	44,500	0.0641
Exercisable at the end of financial year	44,500	0.0641	44,500	0.0641

At the end of the reporting period, the outstanding share options have a weighted average remaining contractual life of 2.68 years (2013: 1.85 years) and the exercise prices range from S$0.0452 to S$0.087 (2013: S$0.052 to S$0.087).

The share-based payments to directors and executives recognised in profit or loss for the financial year ended 31 December 2014 was approximately RMB4,249,000 (2013: RMB298,000) (Note 9).

These fair values were calculated using the Binomial model. The fair value of share options granted during the financial year was estimated to be S$1,477,000, equivalent to RMB6,989,000. The inputs into the model are as follows:

	8 March 2010	**17 May 2010**	**19 July 2010**	**2 June 2011**	**10 March 2014**
Share price	S$0.0769	S$0.085	S$0.075	S$0.052	S$0.046
Exercise price	S$0.075	S$0.087	S$0.079	S$0.052	S$0.0452
Expected volatility	70.26%	69.80%	69.79%	65.80%	102.305%
Expected life	5 years	5 years	5 years	5 years	5 years
Risk free rates	1.50%	1.01%	0.75%	1.02%	1.443%
Expected dividend yield	4.19%	4.19%	4.19%	4.22%	7.61%
Exercise Multiple	2 times	2 times	2 times	2.2 and 2.8 times	–
Employee exit rate	7.10%	7.10%	7.10%	0% and 13%	0%

Expected volatility was determined by calculating 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 the Group's best estimate, for the effects of non-transferability, excise restriction and behavioral considerations.

35. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Total reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
2014								
Beginning of financial year	45,312	565,589	479	8,324	6,608	626,312	(268,120)	358,192
Total comprehensive loss for the financial year	–	–	–	–	–	–	(11,221)	(11,221)
Proceeds from shares issued	748	–	–	–	–	748	–	748
Payment of dividends	–	–	–	–	–	–	(15,342)	(15,342)
Recognition of share-based payments	–	–	–	–	4,249	4,249	–	4,249
End of financial year	46,060	565,589	479	8,324	10,857	631,309	(294,683)	336,626
2013								
Beginning of financial year	45,312	565,589	479	8,324	7,455	627,159	(259,805)	367,354
Total comprehensive loss for the financial year	–	–	–	–	–	–	(9,460)	(9,460)
Share option lapsed/ forfeited during the financial year	–	–	–	–	(1,145)	(1,145)	1,145	–
Recognition of share-based payments	–	–	–	–	298	298	–	298
End of financial year	45,312	565,589	479	8,324	6,608	626,312	(268,120)	358,192

35. Reserves (Cont'd)

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

The contributed surplus of the Company and the Group represents the balance of the amount of credit arising from the capital reduction pursuant to a special resolution passed on 10 May 2004 for the reduction of issued and paid-up share capital of the Company from S$0.20 to S$0.05 on each of the 751,987,750 issued and paid-up shares.

(iii) Share options reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Group recognised in accordance with the accounting policy adopted for share-based payments as set out in Note 2.28(iii) to the financial statements.

(iv) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

Contributed surplus, share option reserve and capital redemption reserve are non-distributable.

36. Transactions with non-controlling interests

On 4 January 2013, CIHL Dev acquired the remaining 5% equity interest of SJLQ from existing non-controlling shareholder for a purchase consideration of RMB500,000, thereby making it a wholly-owned subsidiary. The carrying amount of the non-controlling interests in SJLQ on the date of acquisition equals the purchase consideration of RMB500,000.

There were no transactions with non-controlling interests for the financial year ended 31 December 2014.

37. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions were carried out between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	2014 RMB'000	2013 RMB'000
Related parties		
- Cash received on behalf of the Group	14,398	20,656
- Rental and other operating expenses reimbursed/reimbursable	–	188
- Architectural service fee paid/payable	3,718	6,932
- Borrowings	75,000	–
- Interest expense paid/payable	1,967	–
Associated companies		
- Interest income received/receivable	4,555	4,754

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2013 and 2014, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from the end of the reporting period and are disclosed in Note 19(b) and Note 25 respectively.

(b) Key management compensation

Key management includes directors (executive and non-executive) and chief financial officer. The compensation paid/payable to key management is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Directors' fees	1,800	1,800
Salaries, allowances and bonuses	2,819	2,838
Pension costs of defined contribution plans	13	11
Share option expense	4,249	287
	8,881	4,936

Included in the total key management compensation is directors' remuneration of the Company amounting to RMB8,291,000 (2013: RMB4,323,000).

38. Segment information

The Group has four reportable segments as follows:

Toll collection	-	Toll income of toll bridges (ceased operation since 2013)
Water supply services	-	Construction of water pipeline and supply of gray water
Land development	-	Provision of engineering and land leveling service for preliminary land development projects
Property development	-	Development and sale of properties

The Group's reportable segments are strategic business units that offer different products and services.

The accounting policies of the operating segments are the same as those set out in Note 2 to the financial statements.

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	**Land development RMB'000**	**Property development RMB'000**	**All other segments RMB'000**	**Toll collection RMB'000**	**Total RMB'000**
Financial year ended 31 December 2014						
Total segment revenue	56,320	–	51,873	2,013	–	110,206
Inter-segment revenue	–	–	–	(1,123)	–	(1,123)
Revenue from external parties	56,320	–	51,873	890	–	109,083
Segment results	28,772	–	(42,487)	(604)	–	(14,319)
Interest income	159	10,783	31	17,680	–	28,653
Rental income	–	–	–	1,245	–	1,245
Other expense	–	–	–	(249)	–	(249)
Administrative expenses	–	–	–	(21,289)	–	(21,289)
Other operating expenses	(9,680)	(7,081)	(19,845)	(10,094)	(803)	(47,503)
Selling and marketing expenses	–	–	(8,868)	–	–	(8,868)
Currency translation loss	–	–	–	(1,508)	–	(1,508)
Operating loss						(63,838)
Finance costs	–	(8,066)	–	(34,988)	–	(43,054)
Share of losses of associated companies	–	–	–	(1,814)	–	(1,814)
Income tax (expense)/credit	(2,436)	–	15,170	46	–	12,780
Loss for the financial year						(95,926)
Depreciation and amortisation	(6,254)	(51)	(761)	(1,476)	–	(8,542)
Impairment of trade and other receivables	(4,340)	(4,331)	(4,277)	–	–	(12,948)
Write-down of development properties	–	–	(51,072)	–	–	(51,072)
Share option expense	–	–	–	(4,249)	–	(4,249)

38. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
As at 31 December 2014						
Total assets	124,162	213,586	1,470,160	417,982	8,413	2,234,303
Total assets includes:						
Property, plant and equipment	89,616	109	165,793	13,002	–	268,520
Intangible assets	122	–	–	–	8,368	8,490
Goodwill arising on consolidation	20,303	–	–	–	–	20,303
Investment properties	–	–	–	33,100	–	33,100
Investments in associated companies	–	–	–	99,603	–	99,603
Deferred income tax assets	818	–	–	21	–	839
Inventories and development properties	1,140	–	1,279,634	–	–	1,280,774
Gross amount due from customers for contract work	105	15,367	–	–	–	15,472
Due from associated companies	–	–	–	74,052	–	74,052
Due from non-controlling shareholders of subsidiaries	–	–	–	10,091	–	10,091
Loan receivable	–	–	–	150,000	–	150,000
Prepayments, deposits and other receivables	724	195,998	12,924	3,237	7	212,890
Trade receivables	932	–	4,534	–	–	5,466
Cash and cash equivalents	10,402	2,112	7,275	34,876	38	54,703
Total assets						2,234,303
Addition to non-current assets	4,081	–	63,319	7	–	67,407
Total liabilities	179,538	107,276	384,746	573,869	474	1,245,903
Total liabilities includes:						
Short-term borrowings	38,207	100,000	–	314,555	–	452,762
Loan payables	–	–	–	147,623	–	147,623
Other payables and accruals	1,745	3,314	125,511	7,550	474	138,594
Trade payables	6,823	3,441	16,971	30	–	27,265
Current income tax liabilities	3,738	521	1,228	6,828	–	12,315
Due to non-controlling shareholders of subsidiaries	–	–	84,320	91,108	–	175,428
Receipts in advance	14,915	–	3,199	554	–	18,668
Gross amount due to customers for contract work	4,241	–	–	–	–	4,241
Long-term borrowings	109,869	–	–	–	–	109,869
Deferred income tax liabilities	–	–	153,517	5,621	–	159,138
Total liabilities						1,245,903

38. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
Financial year ended 31 December 2013						
Total segment revenue	62,594	–	92,609	705	–	155,908
Inter-segment revenue	–	–	–	(394)	–	(394)
Revenue from external parties	62,594	–	92,609	311	–	155,514
Segment results	43,410	(205)	13,279	(144)	–	56,340
Interest income	709	5,557	51	17,788	3	24,108
Rental income	–	–	–	1,245	–	1,245
Other (expense)/ income	(21)	–	–	23	–	2
Administrative expenses	–	–	–	(13,847)	–	(13,847)
Other operating expenses	(7,215)	(3,266)	(2,531)	(10,482)	(2,039)	(25,533)
Selling and marketing expenses	–	–	(3,129)	–	–	(3,129)
Fair value gains on investment properties	–	–	–	5,600	–	5,600
Gain on bargain purchase	–	–	8,328	–	–	8,328
Impairment loss on assets of disposal group held for sale	–	–	–	–	(9,324)	(9,324)
Impairment loss of property, plant and equipment	–	–	–	(592)	–	(592)
Currency translation loss	–	–	–	(1,001)	–	(1,001)
Operating profit						42,197
Finance costs	(8,308)	–	–	(307)	–	(8,615)
Share of losses of associated companies	–	–	–	(2,081)	–	(2,081)
Income tax (expense)/credit	(8,967)	(521)	(525)	(2,856)	1,469	(11,400)
Profit for the financial year						20,101
Depreciation and amortisation	(4,675)	(53)	(214)	(1,703)	–	(6,645)
Share option expense	–	–	–	(298)	–	(298)

38. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
As at 31 December 2013						
Total assets	143,516	132,206	1,474,672	381,876	8,411	2,140,681
Total assets includes:						
Property, plant and equipment	92,733	160	104,227	13,517	–	210,637
Intangible assets	122	–	–	–	8,368	8,490
Goodwill arising on conslidation	20,303	–	–	–	–	20,303
Investment properties	–	–	–	33,100	–	33,100
Investment in associated companies	–	–	–	97,040	–	97,040
Deferred income tax assets	684	–	–	21	–	705
Long-term loan receivable	–	–	–	150,000	–	150,000
Inventories development properties	1,671	–	1,298,474	–	–	1,300,145
Gross amount due from customers for contract work	267	15,367	–	–	–	15,634
Loan to others	–	104,000	–	–	–	104,000
Due from associated companies	–	–	–	59,115	–	59,115
Due from non-controlling shareholders of subsidiaries	–	–	–	10,093	–	10,093
Prepayments, deposits and other receivables	628	11,958	11,274	8,837	7	32,704
Trade receivables	6,578	–	44,367	–	–	50,945
Cash and cash equivalents	20,530	721	16,330	10,153	36	47,770
Total assets						2,140,681
Addition to non-current assets	25,849	20	19,267	73	–	45,209
Total liabilities	212,752	4,632	449,307	416,556	446	1,083,693
Total liabilities includes:						
Borrowings	183,373	–	–	–	–	183,373
Other payables and accruals	1,784	670	141,372	7,689	446	151,961
Trade payables	9,406	3,441	28,438	44	–	41,329
Current income tax liabilities	1,981	521	16,525	8,328	–	27,355
Due to non-controlling shareholders of subsidiaries	–	–	85,820	248,968	–	334,788
Receipts in advance	13,296	–	7,339	135	–	20,770
Gross amount due to customers for contract work	2,912	–	–	–	–	2,912
Long-term loan payables	–	–	–	145,445	–	145,445
Deferred income tax liabilities	–	–	169,813	5,947	–	175,760
Total liabilities						1,083,693

38. Segment information (Cont'd)

Geographical information

	Revenue		Non–current assets	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Hong Kong	–	–	13	16
PRC except Hong Kong	109,083	155,514	368,311	456,701
Overseas	–	–	54,163	55,190
	109,083	155,514	422,487	511,907

In presenting the geographical information, revenue is based on the geographical locations of the customers which the revenue are derived from.

Inter-segment sales are carried out based on agreed term.

Revenue from major customers

Revenue of RMB8,871,000 (2013: RMB18,700,000) are derived from a single external customer. These revenues are attributable to the property development segment.

39. Business combinations

FY2013

On 16 September 2013, the Group, through its wholly-owned subsidiary, CIHL Development Limited, completed the acquisition of 55% equity interest and obtained control of Beijing Kaiyuanwanjia Management Consulting Limited ("KYWJ") and its subsidiaries (collectively, "KYWJ Group"). KYWJ Group is in the business of real estate development focusing on property development in Yichang City, Hubei Province, PRC.

As a result of the acquisition, the Group is expected to increase its presence in real estate business. The gain of RMB8,328,000 from the bargain purchase arising from the acquisition is attributable to the need for capital injection by the previous owner of KYWJ Group.

The following table summarises the consideration paid for KYWJ Group, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

(a) Total consideration transferred

	2013 RMB'000
Cash paid	281,444
Cash payable	157,860
Total consideration transferred	439,304
Less: Assignment of liabilities assumed (Note (f) below)	(10,008)
Less: Assignment of shareholder's loans (Note (g) below)	(112,303)
Consideration transferred for the business	316,993

39. Business combinations (Cont'd)

(b) Recognised amounts of identifiable assets acquired and liabilities assumed

	At fair value RMB'000
Cash and cash equivalents	11,955
Properties, plant and equipment	85,260
Development properties	1,111,300
Prepayments, deposits and other receivables	5,398
Trade receivables	6,089
Total assets	1,220,002
Trade payables	827
Other payables and accruals	428,354
Receipts in advance	13,563
Current income tax liabilities	10,079
Deferred income tax liabilities (Note 20)	175,738
Total liabilities	628,561
Total identifiable net assets	591,441
Less: Non-controlling interests (Note (h) below)	(266,120)
Less: Gain on bargain purchase	(8,328)
Consideration transferred for the business	316,993

(c) The effects on the cash flows of the Group, at the acquisition date, are as follows:

	RMB'000
Cash paid (as Note (a) above)	281,444
Less: Deposits paid in financial year ended 31 December 2012	(122,235)
Less: Cash and cash equivalents in subsidiaries acquired	(11,955)
Cash outflow on acquisition	147,254

(d) Acquisition-related costs

Acquisition-related costs of RMB3,522,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the financial year ended 31 December 2013.

(e) Acquired receivables

The carrying values of prepayments, deposits and other receivables and trade receivables approximate their fair values at the acquisition date. Management believes that the receivables are collectible, based on historic payment behaviour and credit-worthiness of the customers.

39. Business combinations (Cont'd)

(f) Assignment of liabilities assumed

The previous owner of KYWJ Group has contractually agreed to reimburse the Group for the apportionment of land use tax payable to be borne by the previous owner, amounting to RMB10,008,000.

(g) Assignment of shareholder's loans

The total consideration transferred by the Group included the assignment of 55% of the shareholder loans in KYWJ Group.

(h) Non-controlling interests

The Group measured the non-controlling interests at the non-controlling interests' proportionate share of the fair value of identifiable net assets.

(i) Revenue and profit contribution

The revenue included in the consolidated statement of comprehensive income since 17 September 2013 contributed by KYWJ Group was RMB92,920,000. KYWJ Group also contributed profit of RMB7,161,000 over the same period.

Had KYWJ Group been consolidated from 1 January 2013, the consolidated statement of income would show pro-forma revenue of RMB328,976,000 and profit of RMB55,589,000.

40. Dividends

	2014 RMB'000	2013 RMB'000
Ordinary dividends declared and paid		
Final tax exempt (one-tier) dividend paid in respect of the previous financial year of S$0.35 Singapore cents (2013: nil) per share	15,342	–

41. Contingent liabilities

	2014 RMB'000	2013 RMB'000
Guarantees in respect of mortgage facilities for certain buyers	90,850	125,318

A subsidiary of the Group, Yichang Xinshougang Property Development Company Limited ("XSG") was in cooperation with local government authority and certain financial institutions to arrange mortgage loan facility for its buyers of property and to provide guarantees to secure obligations for such buyers on repayments. As at 31 December 2014, the outstanding guarantees amounted to RMB90,850,000 (2013: RMB125,318,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within three months after the buyers take possession of the relevant property; and (ii) the satisfaction of the relevant mortgage loans by buyers.

41. Contingent liabilities (Cont'd)

Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, XSG is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted buyers to the financial institutions, and XSG is entitled to take over the legal title and possession of the related properties. XSG's guarantee starts from the dates the financial institutions grant the mortgage loans.

During the financial year ended 31 December 2014, a property buyer defaulted payment against the financial institution and as a result, the financial institution filed a claim against XSG. Based on the verdict, XSG is obliged to repay the financial institution for the outstanding mortgage principals and accrued interest owed by the defaulted buyer to the financial institution. The estimated loss incurred as guarantor amounted to RMB4,933,000 (Note 10) has been recognised as an expense in "other operating expenses" in the statement of comprehensive income as at 31 December 2014.

No further provision has been made for the remaining guarantees as the net realisable value of the related properties will be able to repay the outstanding mortgage principals together with the accrued interest and penalty in case of any default in payments.

42. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2014 **RMB'000**	**2013** **RMB'000**
Computer software	326	326

43. Lease commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases an administrative office from a non-related party under non-cancellable operating lease agreements. The lease terms are negotiated for an average term of 2 years (2013: 2 years), and the lease agreements are renewable at the end of the lease period at market rate. The rental expenditure charged to profit or loss during the financial year is disclosed in Note 10.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 **RMB'000**	**2013** **RMB'000**
Not later than 1 year	1,054	996
Later than 1 year and not later than 5 years	–	1,082
	1,054	2,078

43. Lease commitments (Cont'd)

(b) Operating lease commitments – where the Group is a lessor

The Group sublets premises to a non-related party under non-cancellable operating leases. The lessees are required to pay absolute fixed annual increase to the lease payments.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	2014 RMB'000	2013 RMB'000
Not later than 1 year	1,319	1,319

44. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

IFRS/IAS No.	Title	Effective for annual periods beginning on or after
Annual improvements 2012	IFRS 2, "Share based payments", IFRS 3, "Business combinations", IFRS 8, "Operating segments" IFRS 13, "Fair value" IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets" IAS 24, "Related party disclosures"	1 July 2014
Annual improvements 2013	IFRS 1, "First time adoptions of IFRSs" IFRS 3, "Business combinations" IFRS 13, "Fair value measurement" IAS 40, "Investment property"	1 July 2014
IAS 19	Amendment to IAS 19, "Employee benefits" regarding employee or third party contributions to defined benefit plans	1 July 2014
IFRS 11	Amendment to IFRS 11, "Joint arrangements" regarding acquisition of an interest in a joint operation	1 January 2016
IAS 16 and IAS 38	Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets" regarding depreciation and amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16, "Property, plant and equipment" and IAS 41, "Agriculture" regarding bearer plants	1 January 2016

44. New or revised accounting standards and interpretations (Cont'd)

IFRS/IAS No.	Title	Effective for annual periods beginning on or after
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IAS 27	Amendment to IAS 27, "Separate financial statements" regarding the equity method	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
Annual improvements 2014	IFRS 5, "Non-current assets held for sale and discontinued operations" IFRS 7, "Financial instruments: Disclosures" IAS 19, "Employee benefits" IAS 34, "Interim financial reporting"	1 July 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

The management anticipates that the adoption of the above IFRSs, IFRIC interpretations and amendments to IFRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

45. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 2 April 2015.

SHAREHOLDING STATISTICS

as at 20 March 2014

STATISTICS OF SHAREHOLDINGS

Authorised Share Capital	:	S$1,000,000,000
Issued and Paid Up Capital	:	S$51,230,187.50
Class of Shares	:	Ordinary Shares of S$0.05
Voting rights	:	One vote per share

As at 20 March 2015, the Company did not hold any treasury shares.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	293,807,625	28.68
2	CITIBANK NOMINEES SINGAPORE PTE LTD	223,066,125	21.77
3	RAFFLES NOMINEES (PTE) LIMITED	150,573,463	14.70
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	52,685,000	5.14
5	OCBC SECURITIES PRIVATE LIMITED	24,704,000	2.41
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	17,505,000	1.71
7	CHAN SIN MIAN	15,247,000	1.49
8	YE TIANYUN	15,000,000	1.46
9	LIM CHER HENG	5,037,900	0.49
10	FONG WENG KHIANG	4,500,000	0.44
11	LEOW FAN SIEW	4,210,000	0.41
12	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	3,970,000	0.39
13	WONG CHEONG SHEK	3,088,000	0.30
14	HEE LEE SET	3,000,000	0.29
15	QUAH WEE LAI	3,000,000	0.29
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,703,061	0.26
17	TEOH GAIK LIEW	2,550,000	0.25
18	MAK CHEE FONG	2,274,000	0.22
19	TAN BRIAN ROY	2,250,000	0.22
20	HENG SEE ENG	2,222,000	0.22
	TOTAL	**831,393,174**	**81.14**

SHAREHOLDING STATISTICS

as at 20 March 2014

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.02	50	0.00
100 - 1,000	2,777	31.41	2,775,056	0.27
1,001 - 10,000	4,071	46.05	19,139,001	1.87
10,001 - 1,000,000	1,956	22.12	147,710,469	14.42
1,000,001 AND ABOVE	35	0.40	854,979,174	83.44
TOTAL	**8,841**	**100.00**	**1,024,603,750**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Wellful Holdings Limited	291,384,625	28.44	–	–
China Construction Group Inc	220,025,125	21.47	–	–
Wisdom Accord Limited	150,000,000	14.64	–	–
Lin Rongqiang (1)	–	–	291,384,625	28.44
China Construction Holdings Limited (2)	–	–	220,025,125	21.47
Fok Hei Yu (3)	–	–	220,025,125	21.47
John Howard Batchelor (3)	–	–	220,025,125	21.47
Zheng Dagang (4)	–	–	150,000,000	14.64

Footnote:

(1) The sole shareholder of Wellful Holdings Limited is Lin Rongqiang holding 100% of the total issued share capital. Therefore, Lin Rongqiang is deemed to be interested in the 291,384,625 shares beneficially owned by Wellful Holdings Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(2) The sole shareholder of China Construction Group Inc is China Construction Holdings Limited, holding 100% of the total issued share capital. Therefore, China Construction Holdings Limited is deemed to be interested in the 220,025,125 shares beneficially owned by China Construciton Group Inc by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(3) By way of a deed of appointment dated 28 August 2013, Mr. Fok Hei Yu and Mr. John Howard Batchelor were jointly severally appointed as receivers over 100% of the shares in China Construction Group Inc, a company incorporated under the law of Samoa. China Construction Group Inc in turn holds 220,025,125 shares (representing 21.47% of the shareholding) in China International Holding Limited. Pursuant to Section 4 of the Securities and Future Act (Cap 289), Mr. Fok Hei Yu and Mr. John Howard Batchelor are deemed to have an interest in the shares in China International Holdings Limited.

(4) The sole shareholder of Wisdom Accord Limited is Zheng Dagang, holding 100% of the total issued share capital. Therefore, Zheng Dagang is deemed to be interested in the 150,000,000 shares beneficially owned by Wisdom Accord Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).

According to the Company's record as at 20 March 2015, approximately 34.76% of the Company's shares are held in the hands of the public. Thus, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA INTERNATIONAL HOLDINGS LIMITED (the ***Company***) will be held at Copthorne King's Hotel Singapore, Queen Room Level 2, 403 Havelock Road, Singapore 169632 on Wednesday, 29 April 2015 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Director retiring pursuant to Bye-Law 104:

   Mr Zhang Rong Xiang [Retiring under Bye-Law 104] **(Resolution 2)**

   For information: Mr Fong Weng Khiang is due to retire under Bye-Law 104 and has chosen not to seek re-election of this Annual General Meeting.

3. To approve the payment of Directors' fees of RMB1,300,000 for the financial year ending 31 December 2015 (2014: RMB1,800,000). **(Resolution 3)**

4. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (***SGX-ST***), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company (***shares***) whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, ***Instruments***) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of Instruments, made or granted to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company as at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX- ST) and the Bye-Laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 5)**

7. **Authority to issue shares under the CIHL Share Option Scheme**

That the Directors of the Company be authorised and empowered to offer and grant options under the CIHL Share Option Scheme (***the 2010 Scheme***) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2010 Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2010 Scheme and such other share-based incentive scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 6)**

8. **Authority to issue shares under the CIHL Performance Share Plan**

That the Directors of the Company be authorised and empowered to offer and grant awards under the CIHL Performance Share Plan (***the Plan***) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan and such other share-based incentive scheme (including the CIHL Share Option Scheme) shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Yange Han
Claudia Teo Kwee Yee
Company Secretaries

Singapore, 10 April 2015

Explanatory Notes:

(i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme and such other share-based incentive scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Plan and such other share-based incentive scheme (including CIH Share Option Scheme) up to a number not exceeding in total (for the entire duration of the Plan) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. If a member of the Company, being a Depositor (as defined in the Bye-Laws of the Company) whose name appears in the Depository Register (as defined in the Bye-Laws of the Company) wishes to attend and vote at the Annual General Meeting, then he/she/it should complete the proxy form and deposit the duly completed proxy form at the office of the Company's Singapore Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 at least 48 hours before the time of the Annual General Meeting.

2. If a Depositor wishes to appoint a proxy/proxies, the proxy form must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 at least 48 hours before the time appointed for holding the Annual General Meeting. Delivery of the proxy form shall not preclude him from attending and voting in person at the Annual General Meeting and in such event, the proxy form shall be deemed to be revoked.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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