華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

ANNUAL REPORT 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This annual report, for which the directors (the "Directors") of Chinese Strategic Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P.* *(Chairman)*
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

AUTHORISED REPRESENTATIVES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Chan Shui Sheung Ivy

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

NOMINATION COMMITTEE

Mr. Wang Chin Mong *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

JOINT COMPANY SECRETARIES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Cheung Ching Man

COMPLIANCE OFFICER

Mr. Lam Kwok Hing Wilfred *J.P.*

REGISTERED OFFICE

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Bermuda

CORPORATE INFORMATION

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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The Belvedere Building
69 Pitts Bay Road
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313-316, 3/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.

STOCK CODE

8089

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (together referred to as "Group") is principally engaged in businesses of properties investments, securities trading and loan financing. The turnover of the Group for the year ended 31 December 2015 increased by 9.3% to approximately HK$164,544,000 as compared with the preceding financial year.

Properties Investments

The Group recorded a rental income of approximately HK$4,375,000 for the year ended 31 December 2015 (2014: approximately HK$2,757,000) through properties leasing. A loss arising from changes in fair value of investment properties of approximately HK$400,000 was recorded (2014: gain approximately HK$7,400,000). The primary factors affecting the segment performance were the decline in property price and rental income since the fourth quarter of 2015.

The Group disposed two properties in mainland China with book value of approximately HK$132,516,000 through the disposal of subsidiaries which no longer contributed the rental income of the Group since August 2015. The management maintained its confidence in the local residential property market. As at 31 December 2015, the fair value of the investment properties of the Group amounted to approximately HK$94,900,000 (2014: approximately HK$226,538,000).

Securities Trading

Despite a high degree of volatility in the stock market, the Group recognized a gain from disposals of investments held for trading of approximately HK$34,466,000 (2014: loss approximately HK$19,012,000) and its turnover grew 8.7% to approximately HK$154,354,000 for the year ended 31 December 2015 from approximately HK$142,054,000 a year earlier. The results of the segment were negatively affected by a decrease in fair value change of investments held for trading of approximately HK$63,794,000 (2014: gain approximately HK$3,313,000) and a gain arising from fair value change of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK$308,000 (2014: approximately HK$101,110,000).

As at 31 December 2015, the Group had investments held for trading amounted to approximately HK$413,950,000 (2014: approximately HK$231,742,000) and convertible instruments designated at financial assets at fair value through profit or loss amounted to approximately HK$49,280,000 (2014: approximately HK$150,626,000).

BUSINESS REVIEW *(Continued)*

Loan Financing

The Group generated an interest income of approximately HK$5,815,000 during the year ended 31 December 2015 (2014: approximately HK$5,672,000) representing an increase of approximately 2.5% and the Group shall continue the efforts in streamlining the loan financing business. The management continued to face challenges in fluctuation in collateral value over the balance of the loans and the business of loan financing remains ailing.

Financial Assets

The Group held an investment portfolio, classified as available for sale financial assets with carrying value of approximately HK$44,130,000 as at 31 December 2015 (2014: approximately HK$41,646,000) of which mainly an unlisted investment in funds of approximately HK$38,238,000 that are denominated in USD and managed by an international investment bank (2014: approximately HK$35,754,000). During 2015, an increase of approximately HK$2,484,000 in fair value of fund investments was recorded in other comprehensive income for the year in spite of the volatile global financial market conditions (2014: approximately HK$6,850,000).

The Group held certain unlisted instruments issued by Hong Kong listed companies, classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK$49,280,000, most of which is part of a consideration approximately HK$45,080,000 arising from disposal of a subsidiary, China Smart Asia Limited.

The Group held convertible instruments issued by a listed company in Hong Kong which was designated as financial assets at fair value through profit or loss amounted to approximately HK$150,626,000 as at 31 December 2014. The convertible instruments had been fully converted into ordinary shares during the year. As such, the Group held equity securities listed in Hong Kong, classified as investments held for trading, at fair value which was up 78.6% from approximately HK$231,742,000 as at 31 December 2014 to approximately HK$413,950,000.

The carrying value of the aforesaid investments, representing 43% of the total assets of the Group, is mark to market value and its performance is affected by the external environment. Nevertheless, the management will continue to monitor investments cautiously due to recent uncertain market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded a turnover of approximately HK$164,544,000 (2014: approximately HK$150,483,000), representing an increase of approximately 9.3% as compared with the preceding financial year. The increase in turnover was mainly due to the increase in volume of securities trading.

Administrative expenses for the year ended 31 December 2015 was approximately HK$88,925,000 (2014: approximately HK$85,975,000), representing an increase of 3.4% as compared with the preceding financial year.

The loss attributable to the owners of the Company for the year ended 31 December 2015 aggregated at approximately HK$126,304,000 (2014: profit of approximately HK$55,542,000). Loss for the year was mainly attributable to decrease in fair value of investments held for trading and convertible instruments designated at financial assets at fair value through profit or loss. The basic loss per share for the year ended 31 December 2015 was approximately HK16.48 cents (2014: earning per share HK8.22 cents).

OUTLOOK

As a result of the weak real estate sentiment, the economic downturn of the Hong Kong property market affected the growth of rental income of the Group. The management expected that the gloomy situation would not linger on for long and shall remain cautious and will review the portfolio of investment properties from time to time.

Due to slowing global economy, RMB depreciation pressure and the selling pressure in the A shares market, the local stock market is expected to be inevitably volatile. Hence, the Group will remain cautious in its investment strategy.

OUTLOOK (Continued)

The loan financing business is difficult in the year ahead with the slowing global economy. The management will prudently deploy any funds from the placing to its loan financing business.

As the global economy slows down, the coming financial year will continue to be challenging. Nevertheless, the Group will continue to diversify its income stream and explore the feasibility on the expansion into other business segments.

INTEREST IN A JOINT VENTURE

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("Changsha Seg") performed satisfactorily during the year ended 31 December 2015. The Group's share of result of Changsha Seg amounted to approximately HK$11,229,000 for the year ended 31 December 2015 (2014: approximately HK$16,185,000). The net assets of Changsha Seg was approximately HK$273,540,000 (2014: approximately HK$267,137,000).

Changsha Seg is principally engaged in rental and management of a shopping mall in Changsha, the PRC that is situated at a prime location near the Changsha Railway Station. After being innovated, most of the shops therein have been leased out and contributed steadily rental income to Changsha Seg. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

FUND RAISING ACTIVITIES

On 15 June 2015, Mr. Chen Chien Yeh (the "Subscriber") and the Company entered into a subscription agreement pursuant to which the Company issued and the Subscriber subscribed the bonds in the principal amount of HK$50,000,000 at a consideration of HK$50,000,000 (the "Subscription Bonds"). The holders of the Subscription Bonds are entitled to exchange the entire outstanding principal amount of the Subscription Bonds or any part thereof into an equivalent principal amount of the convertible bonds on a dollar-to-dollar basis, which are convertible into shares of the Company at a conversion price of HK$1.9 per share. Details are set out in the announcement of the Company dated 25 June 2015.

FUND RAISING ACTIVITIES *(Continued)*

On 15 June 2015, the Company and the placing agent entered into the placing agreement (as revised and supplemented by three supplemental agreements on 25 June 2015, 17 July 2015 and 6 August 2015 respectively), pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for the convertible bonds of the Company in the principal amount of up to HK$76,000,000 (the "CB"). Each holder of the CB in the principal amount of HK$1,900,000 shall have the priority to subscribe up to three options at the option premium of HK$30,000 per option. Each option entitles the holder of the option to subscribe for the further convertible bonds (the "Further CBs") in the principal amount of HK$1,900,000 at the subscription price of HK$1,900,000, pursuant to which a maximum of 120 options shall be issued. Upon exercise of the 120 options to subscribe the Further CBs, the Further CBs will be in the aggregate amount of HK$228,000,000. Upon full conversion of the CB in the principal amount of HK$76,000,000 and the Further CBs in the principal amount of HK$228,000,000 at the initial conversion price of HK$1.90, a total of 40,000,000 new shares and 120,000,000 new shares shall be allotted and issued by the Company. The CB in the aggregate principal amount of HK$76,000,000 and an aggregate 120 options were fully placed and issued on 16 September 2015 and 24 September 2015 respectively. The net proceeds from the placing of CB and options were approximately HK$73,000,000 and HK$3,500,000 respectively which were used (i) for equipment and utilities and startup cost of a new restaurant in the hotel casino complex in Tinian, CNMI; (ii) for the land lease payment; (iii) for the Tinian project operating expenses and associated fees; (iv) for settlement of interest and repayment of property mortgage financing of the Group; (v) for funds invested into and used in the loan financing business of the Group; and (vi) for staffing costs and other administrative expenses of the Group. Details are set out in the announcements of the Company dated 25 June 2015, 17 July 2015, 6 August 2015 and 31 August 2015 and the circular of the Company dated 14 August 2015.

On 11 November 2015, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 120,000,000 placing shares at a price of HK$0.48 per placing share to not less than six placees under the general mandate. The gross proceeds and net proceeds from the placing were approximately HK$57,600,000 and HK$56,000,000 respectively, which were used as fund in the securities trading, loan financing business and office operating expenses of the Group. Details are set out in the announcements of the Company dated 11 November 2015 and 23 November 2015.

FUND RAISING ACTIVITIES *(Continued)*

On 27 November 2015, Chinese Capital Management Limited ("Chinese Capital"), Company and the placing agent entered into the placing agreement pursuant to which the Chinese Capital has agreed to place, and the placing agent has agreed to procure not less than six placees, on a best effort basis, to subscribe for up to 42,080,000 placing shares at a price of HK$0.935 per placing share. The gross proceeds and net proceeds from the placing were approximately HK$39,344,000 and HK$37,600,000 respectively, which were used (i) for staffing costs and other office expenses associated with the investment in the hospitality industry in Tinian, CNMI; (ii) for settlement of the interest for the property mortgage financing of the Group; (iii) for the investment in listed securities; (iv) as funds invested into and used in the loan financing business of the Group; and (v) for staffing cost and other administrative expenses of the Group. Details are set out in the announcements of the Company dated 27 November 2015, 16 December 2015 and 17 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders equity, internally generated cash flows and borrowings.

The Group had cash and cash equivalent of approximately HK$46,952,000 (31 December 2014: approximately HK$17,303,000) and had interest-bearing borrowings of approximately HK$168,426,000 (31 December 2014: approximately HK$109,367,000).

As at 31 December 2015, the gearing ratio (measured as total liabilities to total assets) was approximately 27% (31 December 2014: approximately 20%).

CAPITAL STRUCTURE

As at 31 December 2015, the Company's issued share capital was HK$982,494, divided into 982,494,000 shares of HK$0.001 each (31 December 2014: HK$675,814 divided into 675,814,000 shares of HK$0.001 each).

CAPITAL COMMITMENTS

As at 31 December 2015 and 2014, the Group did not have any material capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any material contingent liability.

CHARGES ON ASSETS

As at 31 December 2015, investment properties and certain investments held for trading with an aggregate carrying value of HK$309,117,000 (31 December 2014: HK$245,533,000) have been pledged to banks and other financial institution to secure the credit facilities granted to the Group.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group did not have any other significant investment during the year ended 31 December 2015.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("HK$"). The majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("USD") or Renminbi ("RMB"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had slightly appreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 May 2015, Rich Best Asia Limited, a wholly-owned subsidiary of the Company ("Rich Best"), entered into a sale and purchase agreement pursuant to which Rich Best has agreed to sell the entire issued share capital of China Smart Asia Limited, an indirect wholly-owned subsidiary of the Company ("China Smart") and to assign a debt owed by China Smart to the purchaser, Delightful Hope Limited as at 31 December 2014, being HK$120,203,956 and shall not exceed HK$126,000,000, at a consideration in the aggregate sum of HK$93,000,000. Details are set out in the announcements of the Company dated 29 May 2015 and 20 August 2015. The transaction was completed on 20 August 2015.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of 51% equity interest in 金地毯（北京）文化傳媒有限公司 (Gold Carpet (Beijing) Culture Media Limited*) ("Gold Carpet")

On 25 February 2016, 北京華鼎滙金投資有限責任公司 (Beijing Huading Huijin Investment Company Limited*) as vendor, Selected Team Limited, a wholly-owned subsidiary of the Company as purchaser and the Company entered into a sale and purchase agreement, pursuant to which the vendor has conditionally agreed to sell and the purchaser has conditionally agreed to acquire, through a wholly foreign owned enterprise, the 51% equity interest in Gold Carpet at the consideration of HK$120,000,000, which shall be satisfied by the issue of the convertible bonds by the purchaser. The convertible bonds in the principal amount of HK$120,000,000, upon full conversion, are convertible into 240,000,000 new shares of the Company at the conversion price of HK$0.5 per conversion share.

On 2 March 2016, an addendum to the sale and purchase agreement was entered into pursuant to which the purchaser agreed to advance a sum of HK$10,000,000 within five days as deposit for the shareholder's loan to Gold Carpet upon execution of the addendum. The purchaser shall be the legal and beneficial owner of the deposit.

Completion of the above transactions are subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in the sale and purchase agreement and its addendum. Details of the acquisition are set out in the announcements of the Company dated 25 February 2016 and 2 March 2016.

Placing of convertible bonds under specific mandate and placing of options to subscribe further convertible bonds under specific mandate

On 29 February 2016, the Company and the placing agent entered into a placing agreement. The Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six placees to subscribe for the first convertible bond (the "First CB") in the principal amount of up to HK$500,000,000. Pursuant to the placing agreement, each placee having subscribed for HK$500,000 in the principal amount of the First CB in the First CB placing shall have the priority to subscribe one option at the option premium of HK$25,000 per option (the "Option"). Each and every Option shall entitle the corresponding holder of the Option to subscribe for HK$500,000 in principal amount of the further convertible bond (the "Further CB") upon exercise of the subscription right thereunder at the Further CB subscription price of HK$500,000.

* For identification purpose only

EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Placing of convertible bonds under specific mandate and placing of options to subscribe further convertible bonds under specific mandate *(Continued)*

The maximum gross proceeds from the First CB placing will be HK$500,000,000, the maximum gross proceeds from the Option placing will be HK$25,000,000, and the maximum gross proceeds from the subscription of Further CBs will be HK$500,000,000. In aggregate, the maximum gross proceeds to be raised from the above will be up to the amount of HK$1,025,000,000.

Assuming the First CB in the aggregate principal amount of HK$500,000,000 being fully placed to the placees, the First CB, upon full conversion, are convertible into 1,000,000,000 new shares at the First CB conversion price of HK$0.5, and shall be allotted and issued by the Company under the specific mandate. Assuming the Options being fully subscribed, upon exercise of the 1,000 Options to subscribe the Further CBs, and assuming full conversion of the Further CB in the aggregate principal amount of HK$500,000,000 at the initial Further CB conversion price of HK$0.5, a total of 1,000,000,000 Further CB conversion shares shall be allotted and issued by the Company under the specific mandate.

Completion of the above transactions are subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in the placing agreement and Option subscription agreement. Details of the placing are set out in the announcement of the Company dated 2 March 2016.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 58 employees (31 December 2014: 68 employees) in Hong Kong and Mainland China as at 31 December 2015. During the year ended 31 December 2015, the Group incurred staff costs (including Directors' emoluments) of approximately HK$33,156,000 (2014: approximately HK$30,804,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the board of directors of the Company (the "Board"), as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary and discretionary bonus with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

LITIGATIONS

Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has, as previously disclosed, instituted proceedings against certain borrowers, and has obtained judgments in all such claims. Fameway succeeds in enforcing part payment of the judgment debt against some of such borrowers, and will rely on legal advice for further and possible enforcement.

In a separate litigation matter which has also been previously reported, the Company and King Perfection Limited ("King Perfection") have obtained judgment in a separate matter but one of the judgment debtors has been wound up. The Company and King Perfection will rely on legal advice for further conduct and for protection of their interest.

In relation to the litigation matter in which the Company was sued as the 2nd Defendant, the Plaintiff's amendments to its statement of claim in so far as it relates to the cause of action against the Company were struck out by the order of Master Hui on 3 June 2015 ("the said Order") with costs in favour of the Company. The plaintiff then filed the Notice of Appeal on 17 June 2015 ("the said Appeal") to appeal against the said Order. The Plaintiff's Appeal was heard on 9 December 2015 and this Appeal had been dismissed by the Court with costs in favour of the Company on indemnity basis on 9 December 2015.

As regards the plaintiff's outstanding application to amend its Amended Statement of Claim, the hearing of this Summons had been adjourned sine die. There is no hearing date for this Summons yet.

Gain Millennia Limited ("Gain Millennia"), an indirect wholly-owned subsidiary of the Company, has on 23 February 2016 filed complaint for breach of contract in the Superior Court for the CNMI against Hong Kong Entertainment (Overseas) Investments Limited ("HKE"). Attorneys of CNMI acting for Gain Millennia have already served the relevant court documents on Hong Kong Entertainment, and Gain Millennia will rely on legal advice for further conduct of the proceedings in CNMI.

The Company will announce or disclose the conduct of the litigation matters and/or outcome thereof wherever appropriate or necessary.

ADVANCE TO AN ENTITY

On 15 February 2015 and 24 March 2015, HKE and Tinian Entertainment Co., Ltd ("TEC"), an indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and operating agreement respectively ("Operating Agreement") under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Dynasty Hotel and the relevant assets at the occupation fees of approximately HK$133,000,000 ("Occupation Fees"). Upon the entering into the Operating Agreement, TEC has paid to HKE a refundable deposit of HK$50,000,000, which has been set off with part of the rental prepayment repayable by HKE. As at 31 December 2015, the entire amount due and owing by HKE in the aggregate sum of HK$174,928,000 is still outstanding. Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015 and 20 April 2015.

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing Wilfred, *J.P.* ("Mr. Lam"), aged 56, was appointed as a non-executive Director on 2 September 2013 and has been re-designated as chairman of the Board and an executive Director with effect from 1 January 2014. He has also been appointed as members of the nomination committee and the remuneration committee of the Company, the authorized representative for accepting service of process and notices in Hong Kong on behalf of the Company as required pursuant to Rule 5.24 of the GEM Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and compliance officer of the Company, all with effect from 8 January 2014. Mr. Lam has also been appointed as the joint company secretary of the Company, with effect from 1 February 2014 and is currently the director of certain subsidiaries of the Company.

Mr. Lam is now an executive director and the chairman of the board of China New Energy Power Group Limited (stock code: 1041), a company listed on the Main Board of the Stock Exchange. Mr. Lam is also a non-executive director (re-designated from an executive director on 1 July 2015) of Hong Kong Resources Holdings Company Limited (stock code: 2882) and The Hong Kong Building and Loan Agency Limited (stock code: 145), both companies listed on the Main Board of the Stock Exchange.

Mr. Lam was initially appointed as an independent non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on the GEM of the Stock Exchange, on 13 May 2009 and he resigned from his final positions of vice chairman and non-executive director on 11 July 2014. He was also an independent non-executive director of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (stock code: 379), a company listed on the Main Board of the Stock Exchange from 14 April 2011 to 31 December 2014. He was an independent non-executive director of Value Convergence Holdings Limited (stock code: 821), a company listed on the Main Board of the Stock Exchange, from 4 January 2010 to 30 May 2013.

Mr. Lam is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices and Lam, Lee & Lai Solicitors & Notaries. He also holds a professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

EXECUTIVE DIRECTORS *(Continued)*

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 51, was appointed as an executive Director on 25 August 2008. Ms. Chan graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 22 years of experience in investment and is currently the director of certain subsidiaries of the Company. Ms. Chan previously served as an executive director of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (stock code: 379) which is a company listed on the Main Board of the Stock Exchange from 2 May 2007 to 11 June 2014. She is a director of Channel Enterprises (Int'l) Limited.

Mr. Mok Tsan San ("Mr. Mok"), aged 44, was appointed as an executive Director on 12 August 2014. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Great China and overseas. He is also currently an executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of the Stock Exchange; and a non-executive director of Casablanca Group Limited (stock code: 2223), a company listed on the Main Board of the Stock Exchange. Mr. Mok was an executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893) during the period from 1 May 2015 to 30 September 2015 and a non-executive director of Newtree Group Holdings Limited (stock code: 1323) during the period from 27 August 2014 to 29 February 2016, both companies listed on the Main Board of the Stock Exchange. With over 13 years of solid experiences in fund raising and investment syndication in a number of ventures, he has helped, funded, and/or personally invested in and advised in a number of other Silicon Valley companies in Hong Kong, including but not limited to Facebook Inc. and Proteus Digital Health. Mr. Mok began his career in Babtie Asia Limited (now Jacobs Engineering Group Inc.), an international civil engineering consulting firm as an engineer. He holds a Bachelor of Science degree in Civil Engineering from Ohio State University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 44, was appointed as an independent non-executive Director on 4 July 2008. She was also appointed as the chairmen of the audit and remuneration committees of the Company and a member of nomination committee of the Company since 4 July 2008. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 21 years. She is an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange, since 1 November 2012 and was an independent non-executive director of Tai Shing International (Holdings) Limited (stock code: 8103), a company listed on the GEM of the Stock Exchange, from 3 April 2014 to 30 December 2014.

Mr. Wang Chin Mong ("Mr. Wang"), aged 44, was appointed as an independent non-executive Director and members of audit and remuneration committees of the Company on 10 August 2009. He has also been appointed as the chairman of the nomination committee of the Company since 14 May 2012. Mr. Wang is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 19 years of experience in the fields of auditing, accounting and finance.

Mr. Chow Fu Kit Edward ("Mr. Chow"), aged 48, was appointed as an independent non-executive Director on 14 May 2012. He has also been appointed as members of the audit committee, nomination committee and remuneration committee of the Company since 14 May 2012. Mr. Chow has over 21 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master's degree of Engineering in Mechanical Engineering from The University of Hong Kong and a Master's degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in businesses of property investments, securities trading and loan financing.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2015 by business segment is set out in Note 8 to the accompanying financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 47 and 48 of this annual report.

BUSINESS REVIEW AND COMMENTARY

The business review of the Group for the year ended 31 December 2015 is set out in the section headed "Management Discussion and Analysis" on pages 4 to 5 of this annual report.

Environmental performance

The Company is committed to conserving and protecting the natural resources while minimising impact on the environment. To build a greener future, the Company is committed to implementing policies and measures to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to follow energy saving practices in office premises where applicable.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc.

The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2015.

During the year ended 31 December 2015, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

Key relationships with stakeholders

The skills and competencies of the staff enable the Group to create value by building the corporate expertise to deliver business objectives.

The Company is committed to maintaining high standards of health and safety for staff. The Company ensures that the operations comply, at a minimum, with local health and safety laws as well as industry best practices. Routine training is provided to the staff to enable effective health and safety management throughout the organisation. Emergency preparation and contingency planning, for example, fire drill, have been developed to ensure incidents are responded to in a timely and effective manner.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Key relationships with stakeholders *(Continued)*

Safety is the pre-requisite for the Group to effectively run the business. Ensuring compliance with the required health, safety and labour standards is very important to the Group. The Group is committed to protecting the safety and health of the employees pursuant to relevant regulations and standards.

Employee management focuses on recruiting and growing the right people who add expertise while maintaining a broader outlook in the Company's industry. The Group's success is dependent on retaining employees in key areas of the business, therefore regularly review on remuneration packages to ensure competitiveness and promote training for the Company's staff is important. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Apart from the relationship with employees, building sustainable and long-term relationships with tenants are also one of the Group's primary objectives. The Group strives to provide tenants with quality service and timely response to their enquiries. On-the-job training has been provided to staff to deal with tenants in various scenarios.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Principal risks and uncertainties

Part of the Group's revenue is from rental income, therefore the Group is exposed to a risk of loss of major tenants due to changes in the tenants' own strategy or due to competition among landlords. The Company aims to maintain a well-balanced tenant mix and manage tenancy expiries and vacancies.

The Company's decisions to acquire, dispose or develop assets could turn out to be incorrect, or could be adversely affected by unexpected external factors, leading to financial loss. Investment decisions made by the Company are subject to a robust risk and return evaluation by executives and oversight by the Board. All potential investment projects are subject to an extensive due diligence review by internal staff and external advisors. Projects are managed by experienced managers and completed projects are subject to continual monitoring, with periodic reports to the Board on their performance.

The Company is affected by any adverse changes in the economic, political, infrastructure and environmental dynamics of Hong Kong or other potential investing area(s) which could limit the ability of the Group to deliver on its strategies. The Company has continuously monitored the key economic data from various sources, and action is taken where appropriate to adjust the Company's strategies and operations. The Company has also continuously monitored the changes in the political agenda in Hong Kong or other potential investing area(s).

The Company also cautiously review on preventive measures and remedies in relation to safety, human capital, data privacy and cyber-attacks.

REPORT OF DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 193 to 195 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 20 and 47 to the accompanying financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2015 are set out in Note 17 to the accompanying financial statements.

DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2015 (2014: nil).

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 36 to the accompanying financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2015 are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 51 to 52 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2015 (2014: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2002 which expired on 21 November 2012 (the "Expired Share Option Scheme"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Details of the share options outstanding during the year ended 31 December 2015 were:

Name of category	Date of grant of share options	Number of share options: Outstanding as at 01.01.2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2015	Validity period of share options	Exercise price HK$
Employees	3/4/2007	1,000,000	–	–	–	–	1,000,000	3/4/2007 – 2/4/2017	7.35
Consultants	3/4/2007	1,200,000	–	–	–	–	1,200,000	3/4/2007 – 2/4/2017	7.35
Total		2,200,000	–	–	–	–	2,200,000		

A summary of the Expired Share Option Scheme of the Company is set out in Note 37 to the accompanying financial statements.

Pursuant to an ordinary resolution passed and approved at the special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. The general scheme limit of the Company is 67,581,400 shares representing 10% of the issued share capital by the time of passing the relevant resolution and approximately 7% of the issued share capital as at the date of this report. No share option was granted during the year ended 31 December 2015.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 39 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the year ended 31 December 2015 attributable to the Group's major customers is as follows:

	Percentage of revenue
The largest customer	38.38%
Five largest customers combined	82.44%

The principal business of the Group is property investments, securities trading and loan financing. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

During the year ended 31 December 2015, none of the Directors, their associates, or any substantial shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 40 to the accompanying financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 48 to the accompanying financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2015 and up to the date of this annual report are:

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

DIRECTORS *(Continued)*

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

In accordance with Bye-law no. 87(1), Ms. Yuen Wai Man and Mr. Chow Fu Kit Edward will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

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

BOARD OF DIRECTORS' BIOGRAPHIES

Biographical details of the Directors as at the date of this annual report are set out from pages 15 to 17 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and the five highest paid employees of the Group are set out in Notes 13 and 14 to the accompanying financial statements, respectively.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS

Mr. Lam Kwok Hing Wilfred has entered into an appointment letter with the Company effective from 2 September 2013 as a non-executive Director and was terminated on 31 December 2013. He has entered into another appointment letter with the Company effective from 1 January 2014 regarding the re-designation from non-executive Director to executive Director and the appointment as chairman of the Board.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Mr. Mok Tsan San has entered into an appointment letter with the Company effective from 12 August 2014.

Ms. Yuen Wai Man has entered into an appointment letter with the Company for a fixed term from 1 January 2016 to 31 December 2016.

Mr. Wang Chin Mong has entered into an appointment letter with the Company for a fixed term from 1 January 2016 to 31 December 2016.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company for a fixed term from 1 January 2016 to 31 December 2016.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business pursuant to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2015 or at any time during the year ended 31 December 2015.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2015, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2015.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	70,000,000	65,000,000 *(note 1)*	13.74%
Well Support Limited	Beneficial owner	67,081,466 *(note 2)*	–	6.82%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 *(note 2)*	–	6.82%

notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of (i) convertible bonds in the principal amount of HK$5,700,000 which can be converted into 3,000,000 conversion shares at the conversion price of HK$1.90 per conversion share and (ii) 62 options which entitle the optionholder to subscribe for the Further CBs in the principal amount of HK$117,800,000. The Further CBs can be converted into 62,000,000 further conversion shares at the conversion price of HK$1.90 per further conversion share.

2. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

As at 31 December 2015, the number of shares issued by the Company was 982,494,000.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position in shares and underlying shares of the Company *(Continued)*

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 31 December 2015 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from pages 32 to 44 of this annual report.

COMPLIANCE ADVISER

As stated in the announcement of the Company dated 5 November 2015, the engagement of CLC International Limited ("CLC") as the compliance adviser of the Company, for the period commenced on 6 March 2014 to 5 November 2015 in compliance with the direction of the GEM Listing Committee, has expired.

CLC being the compliance adviser of the Company as at 5 November 2015, confirmed that CLC together with its directors, employees or close associates (as defined under the GEM Listing Rules) were not interested in any share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 5 November 2015 pursuant to Rule 6A.32 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2015 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

On 18 December 2014, SHINEWING resigned as auditor of the Company and ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI") was appointed as the new auditor of the Company.

The consolidated financial statements for the year ended 31 December 2014 and 31 December 2015 were audited by ZHONGLEI.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 11 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "CG Code") for the year ended 31 December 2015 except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chief executive of the Company, if identified.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some Directors were absent from the last annual general meeting of the Company held on 30 June 2015 and the special general meetings of the Company held on 31 August 2015 respectively, due to his/her other important engagement at the relevant time.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of six Directors, three of whom are executive Directors, namely Mr. Lam Kwok Hing Wilfred, Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.

Biographical details of each Director are set out in the section headed "Board of Directors" from pages 15 to 17 of this annual report.

BOARD OF DIRECTORS *(Continued)*

The Company is committed to having a diversity of the Board to complement the Company's corporate strategy. The Company considers that having a Board with diverse culture would assure Directors that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board includes a balanced composition of executive Directors and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2015, the Board consisted of three independent non-executive Directors, two of them have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All independent non-executive Directors are appointed for specific terms until 31 December 2016. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

BOARD OF DIRECTORS *(Continued)*

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

During the year ended 31 December 2015, 26 Board meetings, 1 annual general meeting and 1 special general meeting were held. Details of the attendance of the Directors are as follows:

Directors	Attendance of Board meetings	Attendance of General meetings
Executive Directors		
Mr. Lam Kwok Hing Wilfred *(Chairman)*	25/26	2/2
Ms. Chan Shui Sheung Ivy	25/26	2/2
Mr. Mok Tsan San	20/26	1/2
Independent Non-executive Directors		
Ms. Yuen Wai Man	26/26	2/2
Mr. Wang Chin Mong	26/26	1/2
Mr. Chow Fu Kit Edward	26/26	2/2

BOARD OF DIRECTORS *(Continued)*

A meeting of the independent non-executive directors and the chairman of the Company without the presence of executive Directors was held during the year ended 31 December 2015, pursuant to code provision A.2.7 of the CG Code.

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and summary of the committee meetings held in advance of each Board meeting (if any).

The joint company secretaries of the Company (the "Joint Company Secretaries") are responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Joint Company Secretaries with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, on-going participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

TRAINING FOR DIRECTORS *(Continued)*

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2015 to the Company.

The individual training record of each Director received for the year ended 31 December 2015 is summarised as follows:

Directors	**Type of continuous professional development programmes**
Executive Directors	
Mr. Lam Kwok Hing Wilfred *(Chairman)*	A
Ms. Chan Shui Sheung Ivy	A, B
Mr. Mok Tsan San	A, B
Independent Non-executive Directors	
Ms. Yuen Wai Man	A
Mr. Wang Chin Mong	A
Mr. Chow Fu Kit Edward	A, B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Mr. Lam Kwok Hing Wilfred. Ms. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2015, the remuneration committee of the Company held one meeting to make recommendations to the Board on the review of Directors' salary.

Details of the attendance of the Company's remuneration committee meeting are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	1/1
Mr. Lam Kwok Hing Wilfred	1/1
Mr. Wang Chin Mong	1/1
Mr. Chow Fu Kit Edward	1/1

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Mr. Lam Kwok Hing Wilfred. Mr. Wang Chin Mong is the chairman of this committee.

The nomination committee is responsible for reviewing the structure, size, composition and diversity of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

For the year ended 31 December 2015, the nomination committee of the Company held one meeting to make recommendations to the Board on the re-election of Directors at the general meeting; to review of the structure, size, composition and diversity of the Board members and senior staff of the Company; and to assess the independence of the independent non-executive Directors.

Details of the attendance of the Company's nomination committee meeting are as follows:

Members	**Attendance**
Mr. Wang Chin Mong *(Chairman)*	1/1
Mr. Lam Kwok Hing Wilfred	1/1
Ms. Yuen Wai Man	1/1
Mr. Chow Fu Kit Edward	1/1

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors; namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system, and internal control procedures of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of which facilitating the above-mentioned duties.

For the year ended 31 December 2015, the audit committee of the Company held five meetings to review and supervise the financial reporting process and internal control review, and to make recommendation to the Board on the re-appointment of auditor and the amendments to the terms of reference of the audit committee of the Company. They had, in conjunction with the external auditor of the Company, reviewed the quarterly, interim and annual results of the Group and recommended to the Board for their consideration and approval. The audit committee of the Company was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee of the Company also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Company's audit committee meetings are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	5/5
Mr. Wang Chin Mong	5/5
Mr. Chow Fu Kit Edward	5/5

The Group's unaudited quarterly and interim results and audited annual results of the year 2015 were reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2015, the remuneration paid/payable to the Company's external auditor, ZHONGLEI (HK) CPA Company Limited, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	780
– Non-audit services	–
	780

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, ZHONGLEI (HK) CPA Company Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report from pages 45 and 46 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Board, having made appropriate enquiries, considers that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going-concern basis in preparing the financial statements.

JOINT COMPANY SECRETARIES

Ms. Cheung Ching Man ("Ms. Cheung"), delegated by an external service provider, was appointed as the Joint Company Secretary on 1 February 2013.

Mr. Lam Kwok Hing Wilfred ("Mr. Lam"), being the chairman of the Board and an executive Director, was appointed as the other Joint Company Secretary on 1 February 2014 to assist Ms. Cheung and act as the external service provider's primary contact person in the Company.

Pursuant to Rule 5.15 of the GEM Listing Rules, both Mr. Lam and Ms. Cheung have taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the joint company secretaries of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the joint company secretaries of the Company.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinesestrategic.com for the attention of the Joint Company Secretaries.

SHAREHOLDERS' RIGHTS *(Continued)*

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Joint Company Secretaries.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2015.

INTERNAL CONTROL

The Board is responsible for the effectiveness of the Group's internal control system.

The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board has reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls during the year ended 31 December 2015. Such review considered the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programme and budget. The Board monitors an effective and adequate internal control system in place to safeguard the shareholders' investment and the Group's assets.

The Board has also appointed an independent compliance adviser for the period commencing on 6 March 2014 to 5 November 2015 in compliance with the direction of the GEM Listing Committee for consultation. The compliance adviser has been consulted for all transactions and potential transactions of the Company and its terms of engagement expired on 5 November 2015.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 11 March 2016

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF
CHINESE STRATEGIC HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chinese Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 192, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)

Lam Chik Tong
Practising Certificate Number: P05612

Suites 313-316
3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

11 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	7	**164,544**	150,483
Revenue	7	**10,191**	8,430
Cost of sales		**(346)**	(256)
Gross profit		**9,845**	8,174
Other income and gains	9	**3,702**	2,335
Administrative expenses		**(88,925)**	(85,975)
Changes in fair values of investment properties, net	19	**(400)**	7,400
Changes in fair values of investments held for trading		**(63,794)**	3,313
Gain (loss) on disposals of investments held for trading		**34,466**	(19,012)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss	24	**308**	101,110
Changes in fair values of derivative financial assets/liabilities	30	**(4,525)**	(3,870)
Gain arising from derecognition of derivative financial liabilities	30	**3,156**	–
Gain on disposal of available-for-sale financial assets		**–**	1,892
Impairment loss recognised in respect of other receivables		**–**	(9,268)
Reversal of impairment loss recognised in respect of loan and interest receivables	23	**–**	25,658
Gain on deemed disposal of partial interest in an associate	20	**–**	36,862
Loss on disposal of subsidiaries	45	**(2,432)**	–
Loss on deregistration of a subsidiary	47(e)	**(1,042)**	–
Gain on bargain purchase	43	**2,818**	–
Share of loss of an associate	20	**(218)**	–
Share of profit of a joint venture	21	**11,229**	16,185
Operating (loss) profit		**(95,812)**	84,804
Finance costs	10	**(26,047)**	(24,656)
(Loss) profit before tax		**(121,859)**	60,148
Income tax expense	12	**(2,467)**	(3,913)
(Loss) profit for the year	11	**(124,326)**	56,235

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(5,356)**	(693)
Release of translation reserve upon disposal of subsidiaries	45	**(6,100)**	–
Fair value gain on available-for-sale financial assets	22	**2,484**	6,850
Share of translation reserve of a joint venture	21	**(7,772)**	(783)
Other comprehensive (expense) income for the year, net of income tax		**(16,744)**	5,374
Total comprehensive (expense) income for the year		**(141,070)**	61,609
(Loss) profit for the year attributable to:			
Owners of the Company		**(126,304)**	55,542
Non-controlling interests		**1,978**	693
		(124,326)	56,235
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(141,609)**	61,061
Non-controlling interests		**539**	548
		(141,070)	61,609
(Loss) earnings per share	16		
Basic (HK cents)		**(16.48) cents**	8.22 cents
Diluted (HK cents)		**N/A**	7.32 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	*17*	**7,467**	8,921
Convertible instruments designated as financial assets at fair value through profit or loss	*24*	**45,080**	–
Prepaid lease payment – non-current portion	*18*	**20,329**	20,719
Investment properties	*19*	**94,900**	226,538
Interest in an associate	*20*	**162**	–
Interest in a joint venture	*21*	**165,620**	162,163
Club debentures		**2,690**	2,690
Available-for-sale financial assets	*22*	**44,130**	41,646
		380,378	462,677
CURRENT ASSETS			
Loan and interest receivables	*23*	**61,693**	9,316
Convertible instruments designated as financial assets at fair value through profit or loss	*24*	**4,200**	150,626
Prepayments, deposits and other receivables	*25*	**265,525**	190,289
Prepaid lease payment – current portion	*18*	**390**	388
Investments held for trading	*26*	**413,950**	231,742
Bank balances and cash	*27*	**46,952**	17,303
		792,710	599,664
CURRENT LIABILITIES			
Accruals and other payables	*28*	**22,389**	51,761
Borrowings	*29*	**168,426**	109,367
Derivative financial liabilities	*30*	**8,125**	3,156
Convertible loan notes	*34*	**52,895**	–
Obligations under finance leases – current portion	*35*	**382**	–
Tax liabilities		**12,052**	10,002
		264,269	174,286
NET CURRENT ASSETS		**528,441**	425,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**908,819**	888,055

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Bond payables	31	**50,000**	10,000
Obligations under finance leases			
– non-current portion	35	**1,006**	–
Deferred tax liabilities	32	**967**	25,788
		51,973	35,788
NET ASSETS		**856,846**	852,267
CAPITAL AND RESERVES			
Share capital	36	**982**	676
Reserves		**827,645**	826,336
Equity attributable to owners of the Company		**828,627**	827,012
Non-controlling interests	47	**28,219**	25,255
TOTAL EQUITY		**856,846**	852,267

The consolidated financial statements on pages 47 to 50 were approved and authorised for issue by the Board of Directors on 11 March 2016 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Warrants reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	676	2,901,300	7,914	3,590	13,418	1,350	20,867	(2,183,164)	765,951	24,687	790,638
Profit for the year	–	–	–	–	–	–	–	55,542	55,542	693	56,235
Other comprehensive (expense) income for the year, net of income tax											
Items that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(548)	–	(548)	(145)	(693)
Fair value gain on available-for-sale financial assets	–	–	–	–	6,850	–	–	–	6,850	–	6,850
Share of translation reserve of a joint venture	–	–	–	–	–	–	(783)	–	(783)	–	(783)
	–	–	–	–	6,850	–	(1,331)	–	5,519	(145)	5,374
Total comprehensive income (expense) for the year	–	–	–	–	6,850	–	(1,331)	55,542	61,061	548	61,609
Capital injection by non-controlling interest (Note 47(e))	–	–	–	–	–	–	–	–	–	20	20
At 31 December 2014	676	2,901,300	7,914	3,590	20,268	1,350	19,536	(2,127,622)	827,012	25,255	852,267

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Warrants reserve HK$'000	Convertible loan notes reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	676	2,901,300	7,914	3,590	20,268	1,350	–	19,536	(2,127,622)	827,012	25,255	852,267
(Loss) profit for the year	–	–	–	–	–	–	–	–	(126,304)	(126,304)	1,978	(124,326)
Other comprehensive (expense) income for the year, net of income tax												
Items that may be subsequently reclassified to profit or loss:												
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	–	(3,917)	–	(3,917)	(1,439)	(5,356)
Release of translation reserve upon disposal of subsidiaries (Note 45)	–	–	–	–	–	–	–	(6,100)	–	(6,100)	–	(6,100)
Fair value gain on available-for-sale financial assets	–	–	–	–	2,484	–	–	–	–	2,484	–	2,484
Share of translation reserve of a joint venture	–	–	–	–	–	–	–	(7,772)	–	(7,772)	–	(7,772)
	–	–	–	–	2,484	–	–	(17,789)	–	(15,305)	(1,439)	(16,744)
Total comprehensive income (expense) for the year	–	–	–	–	2,484	–	–	(17,789)	(126,304)	(141,609)	539	(141,070)
Issue of convertible loan notes (Note 34)	–	–	–	–	–	–	4,630	–	–	4,630	–	4,630
Transaction cost attributable to issue of convertible loan notes (Note 34)	–	–	–	–	–	–	(139)	–	–	(139)	–	(139)
Conversion of convertible loan notes (Note 34)	10	18,743	–	–	–	–	(1,123)	–	–	17,630	–	17,630
Exercise of warrants (Note 33)	134	28,132	–	–	–	(1,346)	–	–	–	26,920	–	26,920
Cancellation of warrants upon expiration (Note 33)	–	–	–	–	–	(4)	–	–	4	–	–	–
Issue of shares (Note 36)	162	96,782	–	–	–	–	–	–	–	96,944	–	96,944
Placing expenses	–	(2,761)	–	–	–	–	–	–	–	(2,761)	–	(2,761)
Deregistration of a subsidiary (Note 47(e))	–	–	–	–	–	–	–	–	–	–	2,284	2,284
Acquisition of a subsidiary (Note 43(a))	–	–	–	–	–	–	–	–	–	–	141	141
At 31 December 2015	982	3,042,196	7,914	3,590	22,752	–	3,368	1,747	(2,253,922)	828,627	28,219	856,846

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(121,859)**	60,148
Adjustments for:		
Finance costs	**26,047**	24,656
Interest income	**(1,863)**	(54)
Depreciation of plant and equipment	**2,609**	2,649
Amortisation of prepaid lease payment	**388**	235
Gain on settlement of loan and interest receivables	**–**	(1,201)
Gain on disposal of plant and equipment	**(470)**	(240)
Loss on written-off of plant and equipment	**426**	211
Reversal of impairment loss recognised in respect of loan and interest receivables	**–**	(25,658)
Impairment loss recognised in respect of other receivables	**–**	9,268
Gain on disposal of available-for-sale financial assets	**–**	(1,892)
Gain on deemed disposal of partial interest in an associate	**–**	(36,862)
Share of profit of a joint venture	**(11,229)**	(16,185)
Share of loss of an associate	**218**	–
Changes in fair values of investment properties, net	**400**	(7,400)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss	**(308)**	(101,110)
Changes in fair values of derivative financial assets/liabilities	**4,525**	3,870
Gain arising from derecognition of derivative financial liabilities	**(3,156)**	–
Changes in fair values of investments held for trading	**63,794**	(3,313)
Loss on disposal of subsidiaries	**2,432**	–
Gain on bargain purchase	**(2,818)**	–
Loss on deregistration of a subsidiary	**1,042**	–
Operating cash flows before movements in working capital	**(39,822)**	(92,878)
(Increase) decrease in loan and interest receivables	**(35,877)**	23,898
Increase in prepayments, deposits and other receivables	**(75,162)**	(93,704)
(Increase) decrease in investments held for trading	**(93,621)**	67,389
(Decrease) increase in accruals and other payables	**(33,024)**	9,080
NET CASH USED IN OPERATING ACTIVITIES	**(277,506)**	(86,215)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of convertible instruments designated as financial assets at fair value through profit or loss		–	56,000
Interest received		4	54
Purchase of plant and equipment		(590)	(2,748)
Proceeds from disposal of plant and equipment		470	240
Acquisition of a subsidiary		(8)	(1,170)
Acquisition of an associate	20	(380)	–
Proceeds from disposal of subsidiaries	45	46,595	–
Acquisition of convertible instruments designated as financial assets at fair value through profit or loss		(5,000)	(43,200)
NET CASH FROM INVESTING ACTIVITIES		41,091	9,176
FINANCING ACTIVITIES			
Proceeds from issue of convertible loan notes	34	76,000	–
Transaction cost attributable to issue of convertible loan notes	34	(2,280)	–
Proceeds from issue of option to subscribe convertible bonds	30	3,600	1,300
Proceeds from issue of bonds		150,000	–
Proceeds from exercise of non-listed warrants		26,920	–
Proceeds from placing of new shares, net of issuance cost	36	94,183	–
Repayment of obligation under finance lease		(291)	–
Repayment of bonds		(110,000)	–
Capital injection from non-controlling interests		–	20
Borrowings raised		99,083	311,700
Repayment of borrowings		(46,524)	(232,064)
Interest paid		(24,751)	(24,656)
NET CASH FROM FINANCING ACTIVITIES		265,940	56,300
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		29,525	(20,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		17,303	38,050
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE		124	(8)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		46,952	17,303

1. GENERAL

Chinese Strategic Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 47.

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

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

Application of new and revised HKFRSs and HKASs

The Group has applied the following amendments to HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

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

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

New and revised HKFRSs and HKASs in issue but not yet effective

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

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

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

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

HKFRS 9 Financial Instruments

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

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

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9:

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

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

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

HKFRS 9 Financial Instruments (Continued)

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 *Presentation of Financial Statements* give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKAS 1 will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

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

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

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

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

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

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

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost;

– In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement for entities* that have not yet adopted HKFRS 9); or

– Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

The amendments should be applied to prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The Directors do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

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

Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

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

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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

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

Leasehold land for own use

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

Employee benefits

Retirement benefits costs

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

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

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

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Changes in fair values of investments held for trading" and "Changes in fair values of derivative financial assets/liabilities" line items. Fair value is determined in the manner described in Note 6(c) to the consolidated financial statements.

Convertible instruments acquired by the Group (including related embedded derivates) are designated as financial assets at FVTPL on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise and is included in the "Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL or (b) loans and receivables. The Group designated unlisted investment in funds and unlisted equity investment as AFS financial assets in initial recognition.

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

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as loan and interest receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (Continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and interest receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "Changes in fair values of derivative financial assets/liabilities" line item. Fair value is determined in the manner described in Note 6(c) to the consolidated financial statements.

Other financial liabilities

Other financial liabilities including accruals and other payables, borrowings, obligations under finance leases and bond payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Convertible loan notes

Convertible loan notes contain liability and equity components.

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes (Continued)

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

Derivative financial instruments

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

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers for subscription of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties located in Hong Kong on disposal.

The Group recognised deferred taxes in respect of those investment properties situated in the People's Republic of China ("PRC") which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policies *(Continued)*

Classification of Changsha Seg Development Co. Limited ("Changsha Seg") as a joint venture

Changsha Seg is a limited liability company incorporated in the PRC whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Changsha Seg is classified as a joint venture of the Group. For details, please refer to Note 21 to the consolidated financial statements.

Key sources of estimation uncertainty

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

Estimated impairment loss on loan and interest receivables

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experiences.

As at 31 December 2015, the carrying amount of loan and interest receivables were approximately HK$44,400,000 (2014: HK$9,316,000), net of accumulated impairment losses of HK$187,649,000 (2014: HK$212,289,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of convertible instruments designated as financial assets at FVTPL

The fair value of the convertible instruments involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the fair value. The carrying amount of the convertible instruments designated as financial assets at FVTPL as at 31 December 2015 was approximately HK$49,280,000 (2014: HK$150,626,000).

Fair value of derivative financial liabilities

As described in Note 30 to the consolidated financial statements, the Directors use their judgment in selecting an appropriate valuation technique which is commonly used by market participants for fair value measurement. In estimating the fair value of a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent professional valuers to perform the valuation. The Group works closely with the independent professional valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amount of derivative financial liabilities measured at fair value at 31 December 2015 was approximately HK$8,125,000 (2014: HK$3,156,000) respectively.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities have been disclosed in Notes 6 and 30 to the consolidated financial statements, respectively.

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the independent professional valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2015 was HK$94,900,000 (2014: HK$226,538,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment loss on interest in a joint venture

Determining whether the interest in a joint venture is impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the joint venture and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the Group's joint venture as at 31 December 2015 was approximately HK$165,620,000 (2014: HK$162,163,000). No impairment loss was recognised for the years ended 31 December 2015 and 2014.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group at 31 December 2015 consists of net debt, which includes borrowings, convertible loan notes, obligations under finance leases and bond payables, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Group is not subject to any externally imposed capital requirements. The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Available-for-sale financial assets:		
– at cost	5,892	5,892
– at fair value	38,238	35,754
	44,130	41,646
Financial assets at FVTPL:		
– investments held for trading	413,950	231,742
– convertible instruments designated as financial assets at FVTPL	49,280	150,626
	463,230	382,368
Loans and receivables (including bank balances and cash)	370,103	215,538
Financial liabilities		
Financial liabilities at FVTPL:		
– derivative financial liabilities	8,125	3,156
Convertible loan notes	52,895	–
Other financial liabilities measured at amortised cost	242,203	171,128
	303,223	174,284

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include loan and interest receivables, deposits and other receivables, bank balances and cash, financial assets at FVTPL (including investments held for trading and convertible instruments designated as financial assets at FVTPL), AFS financial assets, derivative financial liabilities, accruals and other payables, bond payables, convertible loan notes, obligations under finance leases and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in United States dollars ("USD").

	Assets	
	2015	2014
	HK$'000	HK$'000
USD	**38,329**	36,791

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have any policy to hedge its exposure to currency risk.

No sensitivity analysis was prepared for USD because HK$ is pegged to USD and no sensitivity analysis was prepared for RMB. The fluctuation and impact is considered immaterial.

(ii) Interest rate risk

The Group's income and operating cash flows would be affected by the changes of market interest rates. The Group's exposure to market risk for changes in interest rates mainly arises from borrowings. Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. At 31 December 2015, approximately 71% (2014: 25%) of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 29.

The Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and bank borrowings which are carried at variable interest rate.

Loan and interest receivables, bond payables, other borrowings, convertible loan notes, obligations under finance leases and convertible instruments designated as financial assets at FVTPL at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 (2014: post-tax profit) would increase/decrease (2014: decrease/increase) by approximately HK$172,000 (2014: HK$87,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate bank balances and bank borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investment in funds and convertible instruments designated as financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Stock Exchange and on fund investments quoted by the financial institutions.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

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

If the prices of the respective equity securities included in investments held for trading had been 10% (2014: 10%) higher/lower, the post-tax loss for the year ended 31 December 2015 (2014: post-tax profit) would decrease/increase (2014: increase/decrease) by approximately HK$34,565,000 (2014: HK$19,351,000) as a result of the changes in financial assets at FVTPL.

For unlisted investment in funds included in AFS financial assets, if the prices of the respective equity instruments had been 10% (2014: 10%) higher/lower, the investment revaluation reserve as at 31 December 2015 would increase/decrease by approximately of HK$3,824,000 (2014: HK$3,575,000).

For convertible instrument designated as financial assets at FVTPL, if the prices of the respective convertible instruments had been 10% (2014: 10%) higher/lower, the post-tax loss for the year ended 31 December 2015 (2014: post-tax profit) would decrease by approximately HK$387,000 (2014: increase by HK$2,372,000) or increase by approximately HK$367,000 (2014: decrease by HK$1,144,000) respectively, arising from the changes in fair value of convertible instruments designated as financial assets at FVTPL.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

In respect of the loan and interest receivables arising from the Group's loan financing business, 42% (2014: 38%) of the total gross loan and interest receivables as at 31 December 2015 was due from the Group's largest customer and 72% (2014: 83%) of the total gross loan and interest receivables as at 31 December 2015 was due from the Group's five largest customers for the Group's loan financing business.

The Directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of loan and interest receivables as at 31 December 2015 and 2014.

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

At 31 December 2015

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities							
Accruals and other payables	N/A	22,389	–	–	–	22,389	22,389
Borrowings	8.42%	182,607	–	–	–	182,607	168,426
Convertible loan notes	12.00%	62,130	–	–	–	62,130	52,895
Bond payables	7.6%	3,800	3,800	61,400	–	69,000	50,000
Obligations under finance leases	2.86%	416	393	653	–	1,462	1,388
		271,342	4,193	62,053	–	337,588	295,098

At 31 December 2014

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities							
Accruals and other payables	N/A	51,761	–	–	–	51,761	51,761
Bond payables	6	600	600	1,800	10,000	13,000	10,000
Borrowings	5.8	115,725	–	–	–	115,725	109,367
		168,086	600	1,800	10,000	180,486	171,128

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$168,426,000 (2014: HK$109,367,000). Included in bank borrowings of the Group are mortgage loans with an aggregate principal of approximately HK$25,002,000 (2014: HK$26,351,000) of which the respective loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call the loans at any time. Taking into account the Group's financial position, the Directors do not believe that it is probable that the financial institutions will exercise their discretionary right to demand immediate repayment. The Directors believe that such borrowings will be repaid by monthly installments in the next 16 years (2014: 17 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows of such borrowings will amount to approximately HK$31,810,000 (2014: HK$33,739,000).

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

c. Fair value measurements of the financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ Financial liabilities	Fair value as at 31.12.2015	Fair value as at 31.12.2014	Fair value hierarchy	Valuation technique(s) and hey input(s)	Signiticant unobservable input(s)
Investments held for trading	Assets – approximately HK$413,950,000	Assets – approximately HK$231,742,000	Level 1	Quoted bid prices in an active market	N/A
Convertible instruments designated as financial assets at FVTPL	Assets – approximately HK$45,080,000	Assets – approximately HK$150,626,000	Level 2	Discount rate and volatility levels determined using a Binominal Option Pricing Model	N/A
Convertible instruments designated as financial assets at FVTPL	Assets – approximately HK$4,200,000	Assets – Nil	Level 3	Discount rate determined using Capital Asset Pricing Model	Weighted average cost of capital, determined using Capital Asset Pricing Model ranging from 22.27% to 22.46%
Unlisted investment in funds classified as AFS financial assets	Assets – approximately HK$38,238,000	Assets – approximately HK$35,754,000	Level 1	Quoted bid prices from bank	N/A
Derivative financial liabilities	Liabilities – approximately HK$8,125,000	Liabilities – approximately HK$3,156,000	Level 2	Discount rate and volatility levels determined using a Binominal Option Pricing Model	N/A

There were no transfers between levels of fair value hierarchy in the current and prior year.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Fair value hierarchy as at 31 December 2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– listed equity securities held for trading	413,950	–	–	413,950
– convertible instruments designated as financial assets at FVTPL	–	45,080	4,200	49,280
AFS financial assets				
– unlisted investment in funds	38,238	–	–	38,238
	452,188	45,080	4,200	501,468
Financial liabilities				
Financial liabilities at FVTPL				
– derivative financial liabilities	–	8,125	–	8,125

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	Fair value hierarchy as at 31 December 2014			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– listed equity securities held for trading	231,742	–	–	231,742
– convertible instruments designated as financial assets at FVTPL	–	150,626	–	150,626
AFS financial assets				
– unlisted investment in funds	35,754	–	–	35,754
	267,496	150,626	–	418,122
Financial liabilities				
Financial liabilities at FVTPL				
– derivative financial liabilities	–	3,156	–	3,156

The fair values of the financial assets and financial liabilities included in level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements of financial assets on recurring basis

	Convertible instruments designated as financial assets at FVTPL issued by a Hong Kong private company HK$'000
At 1 January 2015	–
Purchase	**4,200**
At 31 December 2015	**4,200**

The above total gains or losses for the year recognised in profit or loss are included in the consolidated statement of profit or loss and other comprehensive income.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER AND REVENUE

Turnover

Turnover represents the aggregate of rental income, net proceeds from the disposal of investments held for trading and interest income from the provision of loan financing during the year. The following is an analysis of the Group's turnover:

	2015 HK$'000	2014 HK$'000
Rental income	4,375	2,757
Net proceeds from the disposal of investments held for trading	154,354	142,054
Interest income from the provision of loan financing	5,815	5,672
	164,544	150,483

Revenue

Revenue represents the aggregate of rental income, interest income from the provision of loan financing and dividend income from investments held for trading during the year. The following is an analysis of the Group's revenue:

	2015 HK$'000	2014 HK$'000
Rental income	4,375	2,757
Interest income from the provision of loan financing	5,815	5,672
Dividend income from investments held for trading	1	1
	10,191	8,430

8. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable and operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose

2. Securities trading – trading of securities and dividend income from investments held for trading

3. Loan financing – provision of financing services

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	2015 HK$'000	2014 HK$'000
Segment revenue		
– Properties investments	**4,375**	2,757
– Securities trading	**1**	1
– Loan financing	**5,815**	5,672
	10,191	8,430
Segment profit (loss)		
– Properties investments	**9,994**	19,594
– Securities trading	**(35,838)**	(34,821)
– Loan financing	**5,022**	27,739
	(20,822)	12,512
Unallocated corporate expenses	**(84,187)**	(56,769)
Unallocated corporate income	**3,702**	2,335
Changes in fair values of convertible instruments designated as financial assets at FVTPL	**308**	101,110
Changes in fair values of derivative financial assets/liabilities	**(4,525)**	(3,870)
Gain arising from derecognition of derivative financial liabilities	**3,156**	–
Gain on deemed disposal of partial interest in an associate	**–**	36,862
Gain on disposal of AFS financial assets	**–**	1,892
Impairment loss recognised in respect of other receivables	**–**	(9,268)
Loss on disposal of a subsidiary	**(9)**	–
Loss on deregistration of a subsidiary	**(1,042)**	–
Gain on bargain purchase	**2,492**	–
Share of loss of an associate	**(218)**	–
Finance costs	**(20,714)**	(24,656)
(Loss) profit before tax	**(121,859)**	60,148

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale in the current year.

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 3. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs, directors' emoluments, changes in fair values of convertible instruments designated as financial assets at FVTPL, gain on deemed disposal of partial interest in an associate, gain on disposal of AFS financial assets, gain arising from derecognition and changes in fair values of derivative financial assets/liabilities, impairment loss recognised in respect of other receivables, certain loss on disposal of subsidiaries, loss on deregistration of a subsidiary, certain gain on bargain purchase, share of loss of an associate and certain finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2015 HK$'000	2014 HK$'000
Segment assets		
– Properties investments	**261,190**	401,831
– Securities trading	**417,622**	232,774
– Loan financing	**44,615**	9,566
Total segment assets	**723,427**	644,171
Unallocated corporate assets	**449,661**	418,170
Consolidated assets	**1,173,088**	1,062,341
Segment liabilities		
– Properties investments	**723**	10,147
– Securities trading	**94,695**	3,209
– Loan financing	**16**	3,510
Total segment liabilities	**95,434**	16,866
Unallocated corporate liabilities	**220,808**	193,208
Consolidated liabilities	**316,242**	210,074

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than AFS financial assets, certain plant and equipment, prepaid lease payment, interest in an associate, club debentures, convertible instruments designated as financial assets at FVTPL, certain loan and interest receivables, bank balances and cash and certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, certain borrowings, derivative financial liabilities, convertible loan notes, obligations under finance leases, tax liabilities, bond payables and deferred tax liabilities.

Other segment information

For the year ended 31 December 2015

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Depreciation on plant and equipment	92	–	4	2,513	2,609
Additions to plant and equipment	–	–	16	2,253	2,269
Share of profit of a joint venture	(11,229)	–	–	–	(11,229)
Fair value loss on:					
– investment properties	400	–	–	–	400
– investments held for trading	–	63,794	–	–	63,794
Gain on disposals of investments held for trading	–	(34,466)	–	–	(34,466)
Gain on bargain purchase	(326)	–	–	(2,492)	(2,818)
Loss on disposal of subsidiaries	2,423	–	–	9	2,432
Finance costs	–	5,333	–	20,714	26,047

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2015 *(Continued)*

Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Changes in fair values of convertible instruments designated as financial assets at FVTPL	–	(1,755)	–	1,447	(308)
Changes in fair values of derivative financial assets/liabilities	–	–	–	4,525	4,525
Loss on written-off of plant and equipment	–	–	–	426	426
Amortisation of prepaid lease payment	–	–	–	388	388
Loss on deregistration of a subsidiary	–	–	–	1,042	1,042
Gain arising from derecognition of derivative financial liabilities	–	–	–	(3,156)	(3,156)
Interest income	–	–	(1)	(3)	(4)
Interest on promissory note receivables	–	–	–	(1,672)	(1,672)
Interest on convertible instruments designated as financial assets at FVTPL	–	–	–	(187)	(187)
Share of loss of an associate	–	–	–	218	218
Gain on disposal of plant and equipment	–	–	–	(470)	(470)

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2014

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Depreciation on plant and equipment	201	–	122	2,326	2,649
Additions to plant and equipment	3	–	–	2,745	2,748
Reversal of impairment loss recognised in respect of loan receivables	–	–	(25,658)	–	(25,658)
Share of profit of a joint venture	(16,185)	–	–	–	(16,185)
Loss on written off of plant and equipment	–	–	211	–	211
Fair value gains on:					
– investment properties	(7,400)	–	–	–	(7,400)
– investments held for trading	–	(3,313)	–	–	(3,313)
Loss on disposals of investments held for trading	–	19,012	–	–	19,012

Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Changes in fair values of convertible instruments designated as financial assets at FVTPL	–	(101,110)	–	–	(101,110)
Changes in fair values of derivative financial assets/ liabilities	–	3,870	–	–	3,870
Gain on deemed disposal of partial interest in an associate	–	(36,862)	–	–	(36,862)
Gain on disposal of available-for-sale financial assets	–	–	–	(1,892)	(1,892)
Amortisation of prepaid lease payment	–	–	–	235	235
Impairment loss recognised in respect of other receivables	9,268	–	–	–	9,268
Interest income	–	(1)	–	(53)	(54)
Gain on disposal of plant and equipment	–	–	–	(240)	(240)
Finance costs	4,100	20,556	–	–	24,656

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC, Hong Kong and the Commonwealth of the Northern Mariana Islands ("CNMI").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluded those financial instruments, is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
Hong Kong	**8,260**	8,048	**105,219**	99,268
PRC	**1,931**	382	**165,620**	301,044
CNMI	**–**	–	**20,329**	20,719
	10,191	8,430	**291,168**	421,031

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2015 **HK$'000**	2014 HK$'000
Customer A[1]	**1,032**	1,032
Customer B[2]	**3,911**	N/A[3]
Customer C[1]	**1,801**	N/A[3]
Customer D[2]	**N/A[3]**	2,917
Customer E[2]	**N/A[3]**	969
Customer F[1]	**1,020**	965

1 Revenue from properties investments
2 Revenue from loan financing
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group in respective year

9. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains are as follow:

	2015 HK$'000	2014 HK$'000
Bank interest income	4	54
Gain on settlement of loan and interest receivables	–	1,201
Gain on disposal of plant and equipment	470	240
Commission income	–	320
Interest on promissory note receivables	1,672	–
Interest on convertible instruments designated as financial assets at FVTPL	187	–
Others	1,369	520
	3,702	2,335

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank borrowings	643	672
Other loans	11,240	23,384
Bond payables	7,505	600
Convertible loan notes (Note 34)	1,296	–
Obligations under finance leases	30	–
Margin accounts	5,333	–
	26,047	24,656

11. (LOSS) PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	**32,406**	30,017
Contributions to retirement benefits scheme	**750**	787
	33,156	30,804
Auditor's remuneration	**780**	720
Depreciation of plant and equipment	**2,609**	2,649
Amortisation of prepaid lease payment	**388**	235
Loss on written-off of plant and equipment	**426**	211
Minimum lease payments under operating leases	**7,460**	5,980
Development cost	**1,553**	7,800
Legal and professional fees	**7,644**	11,927
Consultancy fees	**12,310**	8,212
Gross rental income	**(4,375)**	(2,757)
Less: outgoings (included in cost of sales)	**346**	256
Net rental income	**(4,029)**	(2,501)

12. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong	**2,156**	509
Over-provision in prior year	**(106)**	–
	2,050	509
Deferred taxation (Note 32)	**417**	3,404
	2,467	3,913

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years ended 31 December 2015 and 2014.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

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

	2015 HK$'000	2014 HK$'000
(Loss) profit before tax	**(121,859)**	60,148
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**(20,107)**	9,924
Tax effect of share of result of a joint venture	**(1,853)**	(2,670)
Tax effect of expenses not deductible for tax purpose	**22,329**	20,884
Tax effect of income not taxable for tax purpose	**(2,609)**	(27,499)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**46**	71
Tax effect on investment properties for deferred tax purpose	**417**	3,404
Tax effect of tax loss not recognised	**8,768**	2,775
Tax effect of deductible temporary differences not recognised	**–**	34
Utilisation of tax losses previously not recognised	**(4,418)**	(3,010)
Over-provision in prior year	**(106)**	–
Income tax expense for the year	**2,467**	3,913

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2015	2014
	HK$'000	HK$'000
Executive directors and chief executive:		
Salaries and allowances (note)	**5,524**	4,897
Contributions to retirement benefits scheme	**54**	43
	5,578	4,940
Independent non-executive directors		
Fees	**993**	993
	6,571	5,933

Note: Allowances include housing allowance.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No directors and chief executive waived their emoluments for each of the years ended 31 December 2015 and 2014. No emoluments have been paid to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2015 and 2014.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The details of the directors' remuneration of each director and chief executive for the years ended 31 December 2015 and 2014 are set out below:

Year ended 31 December 2015

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Lam Kwok Hing Wilfred	–	2,586	18	2,604
Chan Shui Sheung Ivy	–	1,937	18	1,955
Mok Tsan San[1]	–	1,001	18	1,019
Independent non-executive directors				
Yuen Wai Man	331	–	–	331
Wang Chin Mong	331	–	–	331
Chow Fu Kit Edward	331	–	–	331
	993	5,524	54	6,571

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Year ended 31 December 2014

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Lam Kwok Hing Wilfred	–	2,538	17	2,555
Chan Shui Sheung Ivy	–	1,937	17	1,954
Mok Tsan San[1]	–	388	8	396
Yeung Sau Han Agnes[2]	–	34	1	35
Independent non-executive directors				
Yuen Wai Man	331	–	–	331
Wang Chin Mong	331	–	–	331
Chow Fu Kit Edward	331	–	–	331
	993	4,897	43	5,933

1 Appointed as executive director on 12 August 2014.

2 Resigned as executive director on 8 January 2014.

The Company did not appoint any chief executive during the years ended 31 December 2015 and 2014. The executive directors performed the duties of chief executive. Their emoluments disclosed above include those services rendered by the executive directors.

14. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid employees included two directors (2014: two directors) of the Company, details of whose emoluments of the Group are set out in Note 13 to the consolidated financial statements. The emoluments of the remaining three highest paid employees (2014: three highest paid employees) who are neither a director nor chief executive of the Company for the years ended 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries and allowances	**5,594**	4,297
Contributions to retirement benefits scheme	**72**	48
	5,666	4,345

The number of the highest paid employees who are not the Directors whose emoluments fell within the following bands is as follows:

	2015 **Number of employees**	2014 Number of employees
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–

15. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

16. (LOSS) EARNINGS PER SHARE

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

	2015 HK$'000	2014 HK$'000
(Loss) profit		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	(126,304)	55,542
Effect of dilutive potential ordinary shares:		
– Interest expense on convertible loan notes	N/A	N/A
(Loss) profit for the purpose of diluted (loss) earnings per share	(126,304)	55,542

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	766,346	675,814
Effect of dilutive potential ordinary shares:		
Non-listed warrants	N/A	82,638
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	766,346	758,452

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

The computation of diluted loss per share for the year ended 31 December 2015 does not assume the exercise of the Company's warrants, share options, the options to subscribe convertible bonds and the conversion of the Company's outstanding convertible loan notes since it would result in a decrease in loss per share for the year which is regarded as anti-dilutive.

The computation of diluted earnings per share for the year ended 31 December 2014 does not assume the exercise of the Company's share options and the options to subscribe convertible bonds because the respective exercise prices of the Company's share options and the conversion prices of the convertible bonds were higher than the average market price of the Company's shares for the year ended 31 December 2014.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST					
At 1 January 2014	212	2,866	2,881	14,461	20,420
Additions	1,498	529	721	–	2,748
Disposal	–	–	(650)	–	(650)
Written-off	(129)	(596)	–	–	(725)
At 31 December 2014	1,581	2,799	2,952	14,461	21,793
Additions	324	270	1,675	–	2,269
Disposal	–	–	(1,841)	–	(1,841)
Disposal of subsidiaries	–	(915)	(1,098)	–	(2,013)
Written-off	(384)	(521)	–	–	(905)
At 31 December 2015	1,521	1,633	1,688	14,461	19,303
ACCUMULATED DEPRECIATION					
At 1 January 2014	146	1,882	2,173	7,186	11,387
Charge for the year	298	378	535	1,438	2,649
Eliminated on disposal	–	–	(650)	–	(650)
Eliminated on written-off	(125)	(389)	–	–	(514)
At 31 December 2014	319	1,871	2,058	8,624	12,872
Charge for the year	448	276	447	1,438	2,609
Eliminated on disposal	–	–	(1,841)	–	(1,841)
Disposal of subsidiaries	–	(849)	(476)	–	(1,325)
Eliminated on written-off	(83)	(396)	–	–	(479)
At 31 December 2015	684	902	188	10,062	11,836
CARRYING VALUES					
At 31 December 2015	837	731	1,500	4,399	7,467
At 31 December 2014	1,262	928	894	5,837	8,921

17. PLANT AND EQUIPMENT *(Continued)*

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

Leasehold improvements	20%
Furniture, fixtures and office equipment	20% – 30%
Motor vehicles	30%
Vessel	10%

As at 31 December 2015, the carrying amounts of motor vehicles included an amounting of approximately HK$1,500,000 (2014: Nil) in respect of assets held under finance leases (Note 35).

18. PREPAID LEASE PAYMENT

	2015 **HK$'000**	2014 HK$'000
Analysed for reporting purposes as:		
Current assets	**390**	388
Non-current assets	**20,329**	20,719
	20,719	21,107

Note:

The land is located at CNMI. The Group acquired the land use right through an acquisition of a subsidiary (Note 44) during the year ended 31 December 2014.

19. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Fair value		
At 1 January	**226,538**	219,964
Acquired on an acquisition of a subsidiary (Note 43(a))	**7,970**	–
Net (decrease) increase in fair value recognised in profit or loss	**(400)**	7,400
Disposal of subsidiaries (Note 45(a))	**(132,516)**	–
Exchange adjustments	**(6,692)**	(826)
At 31 December	**94,900**	226,538
Unrealised (loss) gain on properties revaluation included in profit or loss	**(2,400)**	5,000

The fair value of the Group's investment properties at 31 December 2015 and 2014 have been arrived at on the basis of a valuation carried out on the respective dates by Jointgoal Surveyors Limited ("Jointgoal Surveyors") or Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected with the Group. Jointgoal Surveyors and Avista have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation using market comparable approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

19. INVESTMENT PROPERTIES *(Continued)*

For properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change from the valuation technique used in the prior year.

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

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

As at 31 December 2015, the Group's investment properties with carrying amounts of HK$94,900,000 (2014: HK$88,000,000) has been pledged to secure borrowings granted to the Group (Note 29).

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 31 December 2014 are as follows:

	Level 2	**Level 3**	**Fair value**
	HK$'000	HK$'000	HK$'000
2015			
Investment properties	**44,500**	**50,400**	**94,900**
2014			
Investment properties	35,200	191,338	226,538

19. INVESTMENT PROPERTIES *(Continued)*

There were no transfers into or out of Level 2 and Level 3 during the year ended 31 December 2015.

During the year ended 31 December 2014, the fair value hierarchy of a property located in PRC has been transferred from Level 2 to Level 3 as the property started to generate rental income during the year.

Valuation techniques and inputs used in Level 2 fair value measurements of investment properties:

The fair values of certain investment properties located in Hong Kong are determined using market comparable approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Information about Level 3 fair value measurements of investment properties:

Valuation technique	Key input	Significant unobservable inputs	
		2015	2014
Income approach	Rental yield, time factor and capitalisation rates	Capitalisation rate at 2.2%	Capitalisation rates ranging from 2% to 4.75%

The fair value measurement of investment properties based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the capitalisation rates. A slight increase in capitalisation rate used would result in a significant decrease in fair value measurement of the properties, vice versa.

19. INVESTMENT PROPERTIES *(Continued)*

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis:

	Investment properties classified as Level 3 HK$'000
1 January 2014	157,486
Additions	25,201
Net increase in fair value recognised in profit or loss	9,299
Exchange adjustments	(648)
At 31 December 2014	191,338
Net decrease in fair value recognised in profit or loss	(1,730)
Disposal of subsidiaries (Note 45(a))	(132,516)
Exchange adjustments	(6,692)
At 31 December 2015	**50,400**

The above net (decrease) increase in fair value recognised in profit or loss are included in the consolidated statement of profit or loss and other comprehensive income and is attributable to the change in fair values of investment properties at the end of the reporting period.

20. INTEREST IN AN ASSOCIATE

	2015 **HK$'000**	2014 HK$'000
Cost of investment in an unlisted associate in Hong Kong	**380**	–
Share of post-acquisition loss and other comprehensive expense	**(218)**	–
	162	–

20. INTEREST IN AN ASSOCIATE *(Continued)*

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Place of incorporation	Principal place of operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2015	2014	**2015**	2014	
Oriental Tours & Travel Co. Limited ("Oriental Tours") (Note a)	Hong Kong	Hong Kong	**38%**	-	**38%**	-	Travel agent business

Notes:

(a) During the year ended 31 December 2015, the Group acquired 38% equity interests of Oriental Tours at a consideration of HK$380,000.

(b) During the year ended 31 December 2014, CEF issued 800,000,000 new shares by way of placing which the percentage of equity interest attributable to the Group was diluted from 20.98% to 14.42%. Accordingly, CEF ceased to be an associate and the Group has accounted for the remaining 14.42% equity interest as investment held for trading whose fair value at the date of deemed disposal was approximately HK$78,587,000. Gain on deemed disposal of partial interest in an associate of approximately HK$36,862,000 was recognised in profit or loss during the year ended 31 December 2014.

20. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate

Summarised financial information for the year ended 31 December 2015 in respect of the Group's associate is set out below.

The summarised financial information for the year ended 31 December 2015 represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

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

Oriental Tours

	2015 HK$'000
Current assets	**1,349**
Current liabilities	**(1,142)**

	2015 HK$'000
Revenue	**2,995**
Loss and total comprehensive expense for the period	**(574)**
Dividend received from Oriental Tours during the period	**–**

20. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements for the year ended 31 December 2015:

	2015 HK$'000
Net assets of Oriental Tours	207
Proportion of the Group's ownership interest in Oriental Tours	38%
Goodwill	83
Carrying amount of the Group's interest in Oriental Tours	162

21. INTEREST IN A JOINT VENTURE

	2015 HK$'000	2014 HK$'000
Cost of investment in an unlisted joint venture in the PRC	96,719	96,719
Share of post-acquisition profits	66,754	55,525
Exchange adjustments	2,147	9,919
	165,620	162,163

21. INTEREST IN A JOINT VENTURE *(Continued)*

Details of each of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Form of entity	Place of Incorporation	Principal place of operations	Issued and fully paid registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
					2015	2014	**2015**	2014	
Changsha Seg Development Co Limited ("Changsha Seg")	Incorporated	PRC	PRC	Registered capital of RMB35,000,000	**54%**	54%	**54%**	54%	Rental of office premises and properties investment

Note: The Group holds 54% of the equity interests of Changsha Seg, however, the Group only have joint control over the composition of the board of directors of Changsha Seg which is therefore classified as a joint venture of the Group.

Included in the cost of investment in the joint venture as at 31 December 2015 is goodwill of HK$17,909,000 (2014: HK$17,909,000) arising on the acquisition. There are no movements in the goodwill during each of the reporting period.

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

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

21. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture *(Continued)*

Changsha Seg

	2015 HK$'000	2014 HK$'000
Current assets	**18,405**	5,648
Non-current assets	**345,281**	348,957
Current liabilities	**(90,146)**	(87,468)
The above amounts of assets and liabilities include the followings:		
Cash and cash equivalents	**4,331**	3,190
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	2015 HK$'000	2014 HK$'000
Revenue	**28,870**	27,379
Profit and total comprehensive income for the year	**20,795**	29,970
Dividends received from Changsha Seg during the year	**–**	–

The above profit for the year including the following:

	2015 HK$'000	2014 HK$'000
Depreciation and amortisation	**4,031**	4,256
Interest income	**(16)**	(11)
Interest expense	**–**	255
Income tax expense	**7,181**	9,894

21. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture *(Continued)*

Changsha Seg *(Continued)*

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

	2015 **HK$'000**	2014 HK$'000
Net assets of Changsha Seg	**273,540**	267,137
Proportion of the Group's ownership interest in Changsha Seg	**54%**	54%
Goodwill	**17,909**	17,909
Carrying amount of the Group's interest in Changsha Seg	**165,620**	162,163

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	2015 **HK$'000**	2014 HK$'000
Unlisted investment in funds, at fair value	**38,238**	35,754
Unlisted equity investments in Hong Kong, at cost	**6,392**	6,392
Less: accumulated impairment loss	**(500)**	(500)
	5,892	5,892
	44,130	41,646

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The Group's investment in the unlisted equity investments represented (i) 3.08% (2014: 3.08%) equity interest in a Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong; and (ii) 5% (2014: 5%) equity interest in a Hong Kong private company engaged in investment holding. These investments are measured at cost less accumulated impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. No impairment loss was recognised in the profit or loss during the years ended 31 December 2015 and 2014. Included in unlisted equity investments, the investment of 5% equity interest in a Hong Kong private company of HK$500,000 had been fully impaired since 2003.

The Group's unlisted investment in funds is measured at fair value and is classified as Level 1 fair value measurement (see Note 6(c)). Fair value gain of approximately HK$2,484,000 (2014: HK$6,850,000) was recognised in other comprehensive income during the year ended 31 December 2015.

Unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2015 **HK$'000**	2014 HK$'000
USD	**38,238**	35,754

23. LOAN AND INTEREST RECEIVABLES

	2015 HK$'000	2014 HK$'000
Fixed rate loan and interest receivables arising from loan financing business (Note a):		
Secured loan and interest receivables	**183,541**	157,037
Unsecured loan and interest receivables	**48,508**	64,568
Less: accumulated impairment loss recognised	**(187,649)**	(212,289)
	44,400	9,316
Other loan and interest receivables:		
Amount due from a former subsidiary (Note b)	**151,980**	151,980
Other unsecured loan receivable (Note c)	**1,800**	–
Other secured loan and interest receivable (Note d)	**20,879**	–
	174,659	151,980
Less: accumulated impairment loss recognised	**(157,366)**	(151,980)
	17,293	–
	61,693	9,316

Notes:

(a) As at 31 December 2015, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares and properties located in Hong Kong and bear interest at fixed interest rate ranging from 10% to 30% (2014: 8% to 12%) per annum.

As at 31 December 2015, the unsecured loan and interest receivables arising from loan financing business bear interest at fixed interest rate ranging from 10% to 14% (2014: 10% to 14%) per annum.

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The following table illustrates the ageing analysis, based on the loan drawn down date, of the loan and interest receivables (net of accumulated impairment loss) arising from loan financing business outstanding at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Less than 3 months	**–**	3,797
More than 3 months but less than 6 months	**36,449**	–
More than 12 months	**7,951**	5,519
	44,400	9,316

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements. Further details on the Group's credit policy are set out in Note 6 to the consolidated financial statements.

The ageing analysis of loan and interest receivables which were past due but not impaired is as follows:

	2015 HK$'000	2014 HK$'000
Less than 3 months	**–**	5,350
More than 3 months but less than 6 months	**–**	169
More than 6 months but less than 12 months	**4,397**	–
	4,397	5,519

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Included in the Group's loan and interest receivables balances are debtors with aggregate carrying amount of approximately HK$4,397,000 (2014: HK$5,519,000) which are past due but not impaired as at 31 December 2015. The Group holds listed securities as collateral over those balances. Management believes that no impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are considered fully recoverable. During the years ended 31 December 2015 and 2014, no impairment loss on loan and interest receivables was recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group held certain equity securities listed on the Stock Exchange with fair value of approximately HK$11,520,000 (2014: HK$14,720,000) as at 31 December 2015 as collateral over the secured loan and interest receivables.

The movement of accumulated impairment loss of the loan and interest receivables during the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**212,289**	237,947
Impairment losses reversed	**–**	(25,658)
Written off	**(24,640)**	–
At 31 December	**187,649**	212,289

Included in the impairment loss recognised at 31 December 2015 was individually impaired loan and interest receivables with a carrying amount of approximately HK$187,649,000 (2014: HK$212,289,000) before impairment.

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Amount due from a former subsidiary is unsecured, non-interest bearing and repayable on demand. The balance has been fully impaired.

(c) Other unsecured loan receivable is unsecured, non-interest bearing and repayable on 15 December 2016.

(d) As at 31 December 2015, the balance represented the principal loan amount of HK$10,038,000 and interest receivable of approximately HK$5,455,000, net of accumulated impairment loss of approximately HK$5,386,000, which is secured by a property located in Hong Kong and bear fixed interest rate at 20% per annum.

The movement of accumulated impairment loss of the other loan and interest receivables during the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**151,980**	155,803
Written off	**–**	(3,823)
Acquisition of a subsidiary (Note 43(b))	**5,386**	–
At 31 December	**157,366**	151,980

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2015** **HK$'000**	2014 HK$'000
Unlisted instrument issued by Hong Kong listed companies:			
CEF convertible bonds	*(a)*	**45,080**	–
The Hong Kong Building and Loan Agency Limited ("HKBLA") convertible bonds A	*(b)*	**–**	8,645
HKBLA convertible bonds B	*(c)*	**–**	141,981
Homely Manufacturing Limited ("HML") convertible bonds	*(d)*	**4,200**	–
		49,280	150,626
Analysed for reporting purpose as:			
Non-current assets		**45,080**	–
Current assets		**4,200**	150,626
		49,280	150,626

Notes:

(a) CEF convertible bonds

(i) During the year ended 31 December 2013, Top Status International Limited ("Top Status"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for 5%-coupon rate convertible bonds which were issued by CEF in the principal amount of HK$34,500,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$0.01 per conversion share, a total of 3,450,000,000 conversion shares of CEF will be allotted and issued. During the year ended 31 December 2014, Top Status disposed of the convertible bonds to the purchaser, Sino Coronet Limited, which the sole shareholder and sole director is an associate of Ms. Yeung Sau Han Agnes, for the cash consideration of HK$40,000,000.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(a) CEF convertible bonds *(Continued)*

(ii) On 29 May 2015, Rich Best Asia Limited ("Rich Best"), a directly wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Delightful Hope Limited (the "Purchaser"), pursuant to which Rich Best has agreed to sell and the Purchaser has agreed to purchase the entire equity interest in China Smart Asia Limited ("China Smart"), which was a indirectly wholly-owned subsidiary of the Company, at consideration of HK$93,000,000, which is settled by way of (i) cash of HK$46,500,000; (ii) convertible bonds A of CEF with principal amount of HK$23,000,000 ("CEF CBs A"); and (iii) convertible bonds B of CEF with principal amount of HK$23,500,000 ("CEF CBs B"). Details of the disposal are disclosed in Note 45 to the consolidated financial statements.

The CEF CBs A and the CEF CBs B, both with conversion price of HK$0.25 per conversion share, are non-interest bearing and will be expired on 31 March 2017 and 30 September 2018, respectively. On 20 August 2015, i.e. the issue date, the fair values of the CEF CBs A and the CEF CBs B are HK$22,964,000 and HK$23,563,000, respectively.

As at 31 December 2015, the fair values of the CEF CBs A and the CEF CBs B are HK$22,780,000 and HK$22,300,000, respectively. The loss arising from the fair value changes of the CEF CBs A and the CEF CBs B of HK$184,000 and HK$1,263,000, respectively were recognised in profit or loss for the year ended 31 December 2015.

(b) During the year ended 31 December 2013, Sure Venture Investment Limited ("Sure Venture"), an indirectly wholly-owned subsidiary of the Company acted as a subscriber, agreed to subscribe for the convertible bonds with 10% coupon rate (the "HKBLA CBs A") which were issued by HKBLA in the principal amount of HK$1,566,000 for HK$1,651,000 which are matured on 31 December 2015. Assuming the conversion rights attaching to the HKBLA CBs A are exercised in full which the initial conversion price was HK$0.18 per conversion share and then adjusted to HK$0.14 per share as at 31 December 2013 and further adjusted to HK$0.10 per share as at 31 December 2014, a total of 15,660,000 conversion shares of HKBLA will be allotted and issued. As at 31 December 2014, the fair value of the HKBLA CBs A was HK$8,645,000. During the year ended 31 December 2015, the HKBLA CBs A with principal amount of HK$1,566,000 has been converted into shares. The loss arising from fair value changes of HKBLA CBs A of HK$568,000 (2014: HK$30,000) was recognised in profit or loss for the year ended 31 December 2015.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(c) During the year ended 31 December 2014, Sina Winner Investment Limited ("Sina Winner"), an indirectly wholly-owned subsidiary of the Company acted as a subscriber, agreed to subscribe for the zero coupon convertible bonds (the "HKBLA CBs B") which were issued by HKBLA in the principal amount of HK$43,200,000 which are matured on 31 December 2016. Assuming the conversion rights attaching to the HKBLA CBs B are exercised in full which the initial conversion price was HK$0.135 per conversion share, a total of 320,000,000 conversion shares of HKBLA will be allotted and issued. During the year ended 31 December 2014, HKBLA CBs B with principal amount of HK$1,350,000 has been converted into shares.

On 27 May 2014, HKBLA, FT Securities Limited ("FTS") and Sina Winner entered into a convertible bond lending and subscription agreement (the "CB Lending and Subscription Agreement") pursuant to which, Sina Winner has conditionally agreed to lend or otherwise make the HKBLA CBs B available to FTS at the principal amount of HK$41,850,000, and FTS may convert them or any part thereof into such amount of HKBLA shares up to 310,000,000 shares ("FT Placing Shares") for placing (the "FT Placing"). FT Placing was completed on 4 July 2014, an aggregate of 40,000,000 FT Placing Shares for FT Placing had been placed at the placing price of HK$0.8 per share and the proceeds from the placing were HK$32,000,000. Pursuant to the CB Lending and Subscription Agreement, FTS shall subscribe for new convertible bond in such principal amount as is equivalent to the aggregate principal amount of the convertible bonds being converted into FT Placing Shares for the purpose of the FT Placing to be issued by HKBLA, its principal amount shall not exceed HK$41,850,000 (the "New CB"). In the course of FT Placing, FTS shall subscribe for New CB in the principal amount of HK$5,400,000 which is to be issued by HKBLA. Upon the completion of FT placing, HK$36,450,000 convertible bonds, which had not been converted into FT Placing Shares, were returned to Sina Winner to the Company immediately after the completion of the New CB subscription. In addition, in return for the CB Lending and Subscription Agreement, HKBLA shall pay to Sina Winner an amount as is equivalent to 1% of entire amount of gross proceeds of the FT Placing at the completion date.

As at 31 December 2014, the fair value of the HKBLA CBs B was HK$141,981,000. During the year ended 31 December 2015, the HKBLA CBs B with principal amount of HK$41,850,000 has been converted into shares. The gain arising from fair value changes of the HKBLA CBs B of approximately HK$2,323,000 (2014: HK$103,077,000) was recognised in profit or loss for the year ended 31 December 2015.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(d) During the year ended 31 December 2015, Magic Red Limited ("Magic Red"), an indirectly wholly-owned subsidiary of the Company acted as a subscriber, and Mr. Yeung Kui Wong, the guarantor and the shareholder of HML, entered into the subscription agreement pursuant to which Magic Red has agreed to subscribe for the convertible bonds which were issued by HML in the principal amount of (i) HK$3,000,000 which are matured on 23 June 2016 ("HML CBs A"); and (ii) HK$1,200,000 which are matured on 5 October 2016 ("HML CBs B"). Both HML CBs A and HML CBs B bear 5% coupon rate over the prime rate per annum. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the conversion price of HK$1 per conversion share, up to 4,200,000 conversion shares of HML will be allotted and issued. HML is an investment holding company and its subsidiaries is engaged in trading of electrical appliances and kitchenware. As at 31 December 2015, the fair values of the HML CBs A and the HML CBs B were same as their principal amounts and no fair value changes were recognised in profit or loss for the year ended 31 December 2015.

(e) Convertible bonds of New Environmental Energy Holdings Limited (the "NEE CBs") was held by Winner Performance Limited ("Winner Performance"), an indirectly wholly-owned subsidiary of the Company, represent five-year zero coupon rate convertible bond issued by NEE, a company listed on the Main Board of the Stock Exchange. The NEE CBs can be converted, in an amount of not less than HK$1,000,000, into new ordinary shares of NEE at any time within a period of five years starting from 11 December 2009 at a conversion price of HK$1.18. The conversion price of NEE CBs was changed from HK$1.18 per share to HK$1.13 per share on 23 May 2011, and subsequently to HK$0.85 per share as at 31 December 2013. The loss arising from fair value changes of NEE CBs of HK$1,937,000 was recorded in profit or loss for the year ended 31 December 2014. The NEEs CBs was matured on 10 December 2014 and principal amount of HK$16,000,000 was repaid to Winner Performance.

A fair value gain on the convertible instruments designated as financial assets at FVTPL of approximately HK$308,000 (2014: HK$101,110,000) in aggregate was recognised for the year ended 31 December 2015. There was no redemption of convertible bonds during the years ended 31 December 2015 (2014: HK$16,000,000).

24. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The fair values of the convertible instruments designated as financial assets at FVTPL were valued by Grant Sherman Appraisal Limited ("Grant Sherman"), independent qualified professional valuer not connected with the Group, using the Binominal Option Pricing Model and Capital Asset Pricing Model. The inputs into the model of each convertible bond as at 31 December 2015 and 2014 were as follows:

As at 31 December 2014

	HKBLA CBs A	HKBLA CBs B
Valuation model	Binominal Option Pricing Model	Binominal Option Pricing Model
Stock price	HK$0.55	HK$0.55
Conversion price	HK$0.10	HK$0.135
Volatility	70.01%	86.36%
Dividend yield	0%	0%
Option life (years)	1	2
Risk free rate	0.13%	0.57%

As at 31 December 2015

	CEF CBs A	**CEF CBs B**	**HML CBs A**	**HML CBs B**
Valuation model	**Binominal Option Pricing Model**	**Binominal Option Pricing Model**	**Capital Asset Pricing Model**	**Capital Asset Pricing Model**
Stock price	**HK$0.145**	**HK$0.145**	**N/A**	**N/A**
Conversion price	**HK$0.25**	**HK$0.25**	**HK$1**	**HK$1**
Volatility	**70.95%**	**58.51%**	**N/A**	**N/A**
Dividend yield	**0%**	**0%**	**N/A**	**N/A**
Option life (years)	**1.25**	**2.75**	**1**	**1**
Risk free rate	**0.241%**	**0.685%**	**1.82%**	**1.53%**

* The information are extracted from the valuation report performed by Grant Sherman.

Details of the fair value measurement for the convertible instruments designated as financial assets at FVTPL are disclosed in Note 6(c).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Deposits paid for acquisition of potential investments (Note a)	**20,000**	20,000
Accumulated impairment loss on the deposits paid for acquisition of potential investments	**(20,000)**	(20,000)
	–	–
Prepayments	**4,067**	1,370
Rental and utility deposits	**2,978**	3,053
Other receivables (Note b)	**254,910**	185,848
Cash balance in securities account	**3,570**	18
	265,525	190,289

Notes:

(a) During the year ended 31 December 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Peak Prosper Holdings Limited ("PPH"), an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit of HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made during the year ended 31 December 2011.

On 9 March 2012, King Perfection issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. Details of the litigation are set out in Note 42 to the consolidated financial statements.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January and 31 December	**20,000**	20,000

(b) Included in other receivables as at 31 December 2015 is an amount of HK$32,000,000 (2014: HK$32,000,000) due from an independent third party. It was unsecured, non-interest bearing and repayable on demand. Subsequent to the reporting period, on 9 March 2016, the independent third party and the Group have reached a settlement agreement in which the other receivable of HK$32,000,000 will be refunded to the Group by installments.

Included in other receivables as at 31 December 2015 is an amount of approximately HK$151,638,000 (2014: HK$151,638,000) regarding an agency agreement (the "Agency Agreement") entered into between Gain Millennia Limited (the "GML"), a wholly-owned subsidiary of the Company, Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and Well Target Limited ("WTL") on 17 July 2014. Pursuant to the Agency Agreement, GML, as preferred agent, render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, the CNMI, and GML shall pay to HKE a refundable prepayment in the total sum of approximately HK$151,638,000 ("Rental Prepayment") which shall be settled upon the execution of the Agency Agreement. Subsequently, GML considered it is inappropriate and undesirable to continue with the Agency Agreement. On 9 December 2014, GML, WTL and HKE entered into a deed of settlement (the "Deed of Settlement"), in which both parties agree to terminate the Agency Agreement.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

On 15 February 2015 and 24 March 2015, HKE and Tinian Entertainment Co., Ltd ("TEC"), an indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and an operating agreement respectively (collectively referred to as the "Operating Agreements"). Pursuant to the Operating Agreements, HKE intended to lease to TEC the leased property comprising of the Tinian Dynasty Hotel & Casino and the relevant assets and the lease shall commence on 30 June 2015. The Group agreed to pay HK$50,000,000 to HKE, by set off against part of the Rental Prepayment, as refundable deposit. However, the lease had not been commenced on 30 June 2015.

On 6 July 2015, HKE and TEC entered into another operating agreement (the "Revised Operating Agreement") to extend the long stop date to 31 December 2015. Pursuant to the Revised Operating Agreement, TEC has paid another refundable deposit of USD3,000,000 (equivalent to approximately HK$23,290,000) to HKE. The Revised Operating Agreement not yet been executed as at 31 December 2015.

As at 31 December 2015, the entire amount due from HKE to the Group was, in aggregate, approximately HK$174,928,000. Subsequent to the reporting period, on 23 February 2016, legal action has been taken by the Group in respect of the deposits paid of approximately HK$174,928,000. Details of the litigation are set out in Note 42 to the consolidated financial statements.

Included in other receivables, the Group subscribed for a promissory notes issued by The Hong Kong Building and Loan Agency Limited, a listed entity in Hong Kong, with the principal amount of HK$41,000,000 during the year ended 31 December 2015. The promissory notes were unsecured and bear fixed interest rate at 12% per annum based on the principal amount.

26. INVESTMENTS HELD FOR TRADING

Investments held for trading consisted of:

	2015 **HK$'000**	2014 HK$'000
Listed securities held for trading, at fair value – Equity securities listed in Hong Kong	**413,950**	231,742

As at 31 December 2015, the carrying amount of the investments held for trading which has been pledged as security for margin accounts (Note 29(b)), is approximately HK$198,953,000 (2014: Nil).

27. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.01% to 0.05% (2014: 0.01%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2015 **HK$'000**	2014 HK$'000
Amounts denominated in:		
RMB	**122**	481

The Group's material bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2015 **HK$'000**	2014 HK$'000
USD	**91**	1,037

28. ACCRUALS AND OTHER PAYABLES

	2015 **HK$'000**	2014 HK$'000
Accruals	**8,609**	14,415
Other payables (Note)	**13,780**	37,346
	22,389	51,761

Note: On 19 May 2014, Tinian Realty International Co. ("TRI"), a wholly-owned subsidiary of the Company, as the lessee, entered into the ground land lease with Judith D. Cruz, as the lessor, pursuant to which the lessor agreed to grant and the lessee agreed to hire and lease from the lessor, a land commencing on 19 May 2014 and ending on 18 May 2069 at the consideration of USD2,686,100 (equivalent to approximately HK$20,827,000). At 31 December 2015, TRI has outstanding payable of approximately HK$10,086,000 (2014: HK$20,172,000) regarding to this ground land lease.

29. BORROWINGS

	2015 HK$'000	2014 HK$'000
Secured:		
Bank borrowings (Note a)	**26,350**	27,667
Other loans (Note a)	**48,200**	81,700
Margin accounts (Note b)	**93,876**	–
	168,426	109,367

	2015 HK$'000	2014 HK$'000
Carrying amount repayable:		
Within one year	**143,424**	83,016
More than one year but not exceeding two years	**1,380**	1,348
More than two years but not more than five years	**4,342**	4,239
More than five years	**19,280**	20,764
	168,426	109,367
Carrying amount repayable within one year	**143,424**	83,016
Carrying amount of borrowings that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities (Note c)	**25,002**	26,351
	168,426	109,367

Notes:

(a) The Group's borrowings are all denominated in HK$. As at 31 December 2015, the borrowings were secured by Group's six (2014: five) investment properties with the carrying amount of HK$94,900,000 (2014: HK$88,000,000). The bank borrowings bear interest from HIBOR+1.75% to 2.5% (2014: HIBOR+1.75% to 2.5%) per annum. The range of effective interest rates due in the Group's bank borrowings for the year ended 31 December 2015 are from 1.99% to 2.5% (2014: 1.96% to 2.5%). Other loans bear interest at fixed rate ranging from 14.4% to 27% (2014: 16.2% to 30%) per annum.

29. BORROWINGS *(Continued)*

Notes: *(Continued)*

(b) As at 31 December 2015, approximately HK$93,876,000 (2014: Nil) represented the margin value in broker's account. The broker repledged the securities in the margin account as collateral. The margin value will be charged at prime rate plus 3% per annum and prime rate plus 6% per annum on any amount which is over the margin limit.

(c) Included in bank borrowings of the Group are mortgage loans with an aggregate principal of approximately HK$25,002,000 (2014: HK$26,351,000) of which the respective loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as current liabilities.

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The derivative financial assets/liabilities of the Group are not for the hedging purpose.

Derivative financial assets

During the year ended 31 December 2013, Sure Venture as a subscriber, agreed to purchase from an independent third party for the 20,000,000 warrants which were issued by Chinese Food and Beverage Group Limited ("CFB") at a consideration of HK$230,000, and will be expired on 12 December 2014. Assuming the warrants are exercised in full at the initial exercise price of HK$0.7 per warrant, a total of 20,000,000 shares of CFB will be allotted and issued. During the year ended 31 December 2013, 10,000,000 warrants were exercised for a cash consideration of HK$7,000,000 of which those converted shares were recognised as investments held for trading. As at 31 December 2014, all the remaining warrants have been expired. The loss arising from fair value changes of CFB warrants of approximately HK$2,014,000 was recognised in profit or loss for the year ended 31 December 2014.

The following is the derivative financial assets recognised and movements thereon during the reporting period:

	2015 **HK$'000**	2014 HK$'000
At 1 January	–	2,014
Decrease in fair value	–	(2,014)
At 31 December	–	–

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial assets *(Continued)*

The fair value of the warrant to subscribe for shares was valued by Grant Sherman. The valuation was made by using the Binominal Option Pricing Model.

The inputs into the model were as follows:

	2013
Applicable stock price	HK$0.72
Exercise price	HK$0.70
Volatility	71.89%
Dividend yield	0%
Option life (years)	0.95
Risk free rate	0.192%

Derivative financial liabilities

On 18 June 2014, the Company and a placing agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, not less than six independent placees to subscribe for up to 130 options at a premium of HK$10,000 per option ("CB Option A"). Completion was taken place on 27 June 2014.

Upon exercise of each of the option, the optionholder was entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 130 options, the optionholders were entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$130,000,000 at the subscription price of HK$130,000,000. Receipt of HK$1,300,000 in relation to the premium of 130 options of HK$10,000 per option was credited to liabilities at the date of the issue of the options and its fair value was approximately HK$3,156,000 as at 31 December 2014. During the year ended 31 December 2014, the loss arising from fair value changes of HK$1,856,000 was recorded in profit or loss for the year ended 31 December 2014. During the year ended 31 December 2015, CB Option A is expired and no option has been exercised.

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial liabilities *(Continued)*

On 15 June 2015, the Company and another placing agent entered into the placing agreement (as revised and supplemented by three supplemental agreements on 25 June 2015, 17 July 2015 and 6 August 2015), pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for the convertible bonds of the Company in the principal amount of up to HK$76,000,000 (the "CB"). Each holder of the CB in the principal amount of HK$1,900,000 shall have the priority to subscribe up to three options at the option premium of HK$30,000 per option. Each option entitles the holder of the option to subscribe for the further convertible bonds (the "Further CBs") in the principal amount of HK$1,900,000 at the subscription price of HK$1,900,000, pursuant to which a maximum of 120 options shall be issued. The exercisable period of options is commencing from the date when a total of not less than HK$68,400,000 in principal amount of the CB has been converted into new shares and ending on 14 October 2016. Upon exercise of the 120 options to subscribe the Further CBs, the Further CBs will be in the aggregate amount of HK$228,000,000. Upon full conversion of the CB in the principal amount of HK$76,000,000 and the Further CBs in the principal amount of HK$228,000,000 at the initial conversion price of HK$1.90, a total of 40,000,000 new shares and 120,000,000 new shares shall be allotted and issued by the Company. Details are set out in the announcements of the Company dated 25 June 2015, 17 July 2015, 6 August 2015 and 31 August 2015 respectively. On 24 September 2015, the subscription of options was completed and an aggregate of 120 options ("CB Option B") were issued and total option premium of HK$3,600,000 was received. As at 31 December 2015, no CB Option B had been exercised.

The following is the derivative financial liabilities recognised and movements thereon during the reporting period:

	HK$'000
At 1 January 2014	–
Addition	1,300
Increase in fair value	1,856
At 31 December 2014	3,156
Addition	3,600
Expiration	(3,156)
Increase in fair value	4,525
At 31 December 2015	**8,125**

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial liabilities *(Continued)*

The fair value of the CB Option B as at 31 December 2015 and the CB Option A as at 31 December 2014 were valued by Grant Sherman. The valuation was made by using the Binominal Option Pricing Model and considering the present value of the stream of future cash flows discounted at the risk-free rate of 0.114% (2014: 0.801%).

The inputs into the model were as follows:

	CB Option B 2015	CB Option A 2014
Spot price	**HK$0.71**	HK$0.64
Exercise price	**HK$1.9**	HK$1.0
Volatility	**93%**	77%
Dividend yield	**0%**	0%
Option life (years)	**0.79**	2.5
Risk free rate for convertible bond	**0.114%**	0.801%
Risk free rate for convertible bond option	**0.114%**	0.801%

31. BOND PAYABLES

As at 31 December 2014, the bond payable is repayable on 5 December 2019, unsecured, transferrable and bearing interest rate of 6% per annum. As at 31 December 2015, the bond payables are due in 2019 and 2020, unsecured, transferrable and bearing interest rate ranging from 6% to 8% per annum.

32. DEFERRED TAXATION

The following are the major deferred tax liability recognised and movements thereon during the reporting period:

	Accelerated tax depreciation HK$'000	Fair value changes in investment properties HK$'000	Total HK$'000
At 1 January 2014	549	21,976	22,525
Charge to profit or loss (Note 12)	205	3,199	3,404
Exchange adjustment	–	(141)	(141)
At 31 December 2014	754	25,034	25,788
Charge to profit or loss (Note 12)	213	204	417
Disposal of subsidiaries (Note 45)	–	(24,026)	(24,026)
Exchange adjustment	–	(1,212)	(1,212)
At 31 December 2015	**967**	**–**	**967**

No deferred tax assets attributable to other temporary differences and tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and other deductible temporary differences of approximately HK$204,160,000 (2014: HK$177,796,000) and HK$169,929,000 (2014: HK$167,402,000) respectively.

During the year ended 31 December 2015, tax loss of approximately HK$26,776,000 (2014: HK$18,242,000) for which no deferred tax asset were recognised previously was utilised.

33. NON-LISTED WARRANTS

On 27 May 2013, the Company and FTS entered into a placing agreement in respect of the placement of 135,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.001 each at a subscription price of HK$0.20. Details of the above are set out in the Company's announcement dated 28 May 2013.

The placement was completed on 6 June 2013 with the warrants expiring on 6 June 2015. Receipt of HK$1,350,000 in relation to the warrants was credited to warrants reserve at the date of issue of the warrants. 134,600,000 warrants (2014: Nil) had been exercised and 400,000 warrants (2014: Nil) had been expired during the year ended 31 December 2015.

34. CONVERTIBLE LOAN NOTES

The Company issued a 12% convertible loan notes at a par value of HK$76,000,000 on 16 September 2015. The convertible loan notes are denominated in Hong Kong dollars. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the date on the fifth business day before 30 September 2016 at a conversion price of HK$1.9 per convertible loan note. Assuming the conversion rights attaching to the convertible loan notes are exercised in full which the initial conversion price was HK$1.9 per convertible loan note, a total of 40,000,000 conversion shares of the Company will be allotted and issued. If the notes have not been converted, they will be redeemed on 30 September 2016 at par.

The fair value of the convertible loan notes was valued by Grant Sherman. The fair value of liability component of the convertible loan notes has been calculated by discounting the future cash flows at the market rate.

The inputs into the model were as follows:

Applicable stock price	HK$0.69
Conversion price	HK$1.9
Volatility	104.34%
Dividend yield	0%
Contractual life	1.04 years
Risk-free rate	0.113%

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes reserve". The effective interest rate of the liability component is 18.96% per annum.

The movement of the liability component of the convertible loan notes for the year ended 31 December 2015 is set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January	–	–	–
Issue of convertible loan notes	71,370	4,630	76,000
Transaction cost	(2,141)	(139)	(2,280)
Effective interest expense (Note 10)	1,296	–	1,296
Conversion	(17,630)	(1,123)	(18,753)
At 31 December	52,895	3,368	56,263

HK$19,000,000 convertible loan notes were converted into 10,000,000 shares of the Company during the year ended 31 December 2015 (2014: Nil).

35. OBLIGATIONS UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2015 **HK$'000**	2014 Hk$'000
Current liabilities	**382**	–
Non-current liabilities	**1,006**	–
	1,388	–

It is the Group's policy to lease certain motor vehicles under finance leases. The average lease term is 3 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.25% to 3.09% per annum. There are purchase options in these leases.

As at 31 December 2015	**Minimum lease payments** **HK$'000**	**Present value of minimum lease payments** **HK$'000**
Obligations under finance leases payable:		
Within one year	**416**	**382**
Within a period of more than one year but not more than two years	**393**	**373**
Within a period of more than two years but not more than five years	**653**	**633**
	1,462	**1,388**
Less: future finance charges	**(74)**	**N/A**
Present value of lease obligations	**1,388**	**1,388**
Less: Amount due for settlement with 12 months (shown under current liabilities)	**–**	**(382)**
Amount due for settlement after 12 months	**–**	**1,006**

Finance lease obligations that are denominated in HK$.

36. SHARE CAPITAL

	Par value per share HK$	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares			
At 1 January 2014, 31 December 2014 and 31 December 2015	0.001	100,000,000	100,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2014, 31 December 2014 and 1 January 2015	0.001	675,814	676
Exercise of warrants (Note 33)	0.001	134,600	134
Placing (note)	0.001	162,080	162
Issuance of share upon conversion of convertible loan notes (Note 34)	0.001	10,000	10
At 31 December 2015	**0.001**	**982,494**	**982**

Note: On 11 November 2015, the Company entered into a placing agreement with a placing agent to place 120,000,000 placing shares with the par value of HK$0.001 each at a price of HK$0.48 per placing share. The placing has been completed on 23 November 2015.

On 27 November 2015, the Company entered into a subscription agreement with an independent third party to issue 42,080,000 new shares with the par value of HK$0.001 each at a price of HK$0.935 per new share. The subscription has been completed on 17 December 2015.

37. SHARE OPTION SCHEME

(i) Share option scheme adopted on 22 November 2002 (the "Expired Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 22 November 2002, the Company terminated the old share option scheme and adopted a new share option scheme ("Expired Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the Expired Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Expired Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Expired Share Option Scheme remained in force for a period of 10 years from 22 November 2002. The Expired Share Option Scheme was expired during the year ended 31 December 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

37. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme will remain in force for 10 years from 2 April 2014, unless otherwise cancelled or amended. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share options was granted or exercised under the Share Option Scheme during the years ended 31 December 2015 and 2014.

37. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") (Continued)

Details of the share options outstanding during the years ended 31 December 2015 and 2014 were:

	Date of grant	Exercisable period	Subscription price per share HK$	Outstanding at 31 December 2015	Outstanding at 31 December 2014
Employees	3.4.2007	3.4.2007 – 2.4.2017	7.35	**1,000,000**	1,000,000
Consultants	3.4.2007	3.4.2007 – 2.4.2017	7.35	**1,200,000**	1,200,000
				2,200,000	2,200,000
Exercisable at the end of the year				**2,200,000**	2,200,000
Weighted average exercise price				**HK$7.35**	HK$7.35
Weighted average remaining contractual life				**1.25 years**	2.25 years

38. COMMITMENTS

(a) Operating lease commitment

The Group as lessor

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

	2015 HK$'000	2014 HK$'000
Within one year	2,020	4,365
In the second to fifth year inclusive	71	4,570
	2,091	8,935

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 4.6% (2014: 1.2%) on an ongoing basis. All of the properties held have committed tenants for the next one to two years (2014: one to three years).

The Group as lessee

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

	2015 HK$'000	2014 HK$'000
Within one year	3,614	6,578
In the second to fifth year inclusive	500	3,742
	4,114	10,320

Operating lease payments represent rentals payable by the Group for certain of its office properties (2014: office properties). Leases are negotiated and rentals are fixed for an average of two years (2014: two years).

38. COMMITMENTS *(Continued)*

(b) Capital commitment

As at 31 December 2015, the Group did not have any material capital commitment (2014: Nil).

39. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,250 per month prior to June 2014 and HK$1,500 after June 2014.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$750,000 (2014: HK$787,000).

40. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the years were as follows:

	2015 **HK$'000**	2014 HK$'000
Short-term benefits	**12,111**	10,187
Post-employment benefits	**126**	91
	12,237	10,278

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

40. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the years ended 31 December 2015 and 31 December 2014.

41. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2015:

(a) The Group acquired Watson China Limited ("Watson China") through converted 800,000 convertible bonds issued by Watson China into 800,000 new ordinary shares of Watson China during the year ended 31 December 2015 (Note 43).

(b) The Group disposed of the entire equity interest of China Smart at a consideration of HK$93,000,000, which was partially settled by the CEF CBs A and CEF CBs B (Note 45).

For the year ended 31 December 2014:

(a) Loan and interest receivables of approximately HK$15,279,000 were settled by certain listed shares, which were recorded as investments held for trading, with fair value of approximately HK$21,400,000 by the borrower.

(b) Loan and interest receivables of approximately HK$23,642,000 partly impaired in prior years were partially settled by certain listed shares, which were recorded as investments held for trading, with fair value of approximately HK$6,284,000 by the borrower.

(c) Loan and interest receivables of approximately HK$14,420,000 fully impaired in prior years were settled by certain listed shares, which were recorded as investments held for trading, with fair value of approximately HK$14,420,000 by the borrower.

42. LITIGATIONS

(i) On 28 March 2012, 7 September 2012 and 23 May 2013, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$218,529,000 and HK$226,709,000 as at 31 December 2014 and 31 December 2013, respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of nil and HK$11,238,000 was recognised in profit and loss for the year ended 31 December 2014 and 31 December 2013, respectively.

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to pay the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. Securities of HK$2,015,000 were received as part of the settlement of the loan. Due to the uncertainty of the recoverability of the remaining loan receivables, the management considered that no reversal of impairment loss should be made for the remaining loan receivable for the year ended 31 December 2013. Fameway succeeds in enforcing partial payment of the judgment debt against some of such borrowers, and will rely on legal advice for further and possible enforcement.

(ii) On 9 March 2012, King Perfection issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000; (b) damages to be assessed; and (c) costs to be taxed.

The hearing of the legal case was heard on 2 March 2016, the Judge reserved judgment to a later date. In the opinion of legal advisor, the proof of debt of King Perfection and the Group be admitted in full in the sum of approximately HK$20,011,000. As at the date of this report, no amount has been received.

42. LITIGATIONS *(Continued)*

(iii) On 6 May 2013, a writ of summons has been served to the Company, claiming for payment for the loss of the plaintiff of approximately RMB5,188,732,000. The legal case is related to the breach of contracts in respect of the investment in a joint venture which will conduct railway cargo transportation services in the PRC. On 13 May 2014, the plaintiff had completely crossed out its statement of claim and replaced the same with a new one and the amount of monetary claim was reduced from approximately RMB5,188,732,000 to HK$100,000,000. The Company has taken out the relevant applications to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court.

The Plaintiff's amendments to its statement of claim in so far as it relates to the cause of action against the Company were struck out by the order of Master Hui on 3 June 2015 ("the Said Order") with costs in favour of the Company. The plaintiff then filed the notice of appeal on 17 June 2015 ("the Said Appeal") to appeal against the Said Order. The Said Appeal was heard on 9 December 2015 and had been dismissed by the Court with costs in favour of the Company on indemnity basis on 9 December 2015.

As regards the plaintiff's outstanding application to amend its amended statement of claim, the hearing of this summons had been adjourned sine die. There is no hearing date for this summons yet.

After consultation with the legal advisor, the management considered that the Company has good case to strike out the claim.

(iv) The claimant, Chan Yu Yiu Henry, against Onway Logistics Limited (the 1st Defendant), China Railway Investments Group (HK) Limited (the 2nd Defendant) and the Company (the 3rd Defendant) claiming director's fee in the aggregate sum of HK$4,146,666.66 allegedly due and owing since June 2008 (the "Claim"). It was the 2nd Defendant appointed the claimant as director of the 1st Defendant and the 2nd Defendant was the former joint venturer of 1st Defendant, which is the former joint venture of the Company on 13 October 2008.

The entire proceedings start afresh in the Court of First Instance. The claimant's application for legal aid failed, and due to his alleged impecuniosity, the claimant is not legally represented. As at 31 December 2015, the claimant has yet to serve his statement of claim.

In the opinion of the legal advisor, the Claim appears dubious, and there is want of specificity and particulars. The Claim against the Company is without merit.

(v) On 23 February 2016, GML has filed complaint for breach of contract in the Superior Court in CNMI against HKE for the deposit paid of approximately HK$174,928,000 (Note 25(b)). GML is waiting for the legal advice for further conduct of the proceedings in CNMI.

43. BUSINESS COMBINATION

For the year ended 31 December 2015

(a) Acquisition of Watson China

On 19 May 2015, the Group subscribed for convertible bonds in principal amount of HK$800,000 issued by Watson China, which could be convertible into 800,000 new ordinary shares of Watson China. On 13 August 2015, the Group converted HK$800,000 convertible bonds into 800,000 new ordinary shares of Watson China, represented 88.89% equity interest of Watson China. Upon conversion, Watson China became a subsidiary of the Group. Watson China is engaged in property investment. Watson China was acquired so as to continue the expansion of the Group's properties investment business. The acquisition has been accounted for using the purchase method.

Acquisition-related costs amounting to HK$2,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investment properties (Note 19)	7,970
Amount due from former shareholder	99
Other loan	(6,500)
Accrual and other payables	(302)
	1,267
Total consideration satisfied by:	
Conversion of HK$800,000 convertible bonds	800

43. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2015 *(Continued)*

(a) Acquisition of Watson China (Continued)

Bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	800
Add: non-controlling interest (11.11% in Watson China)	141
Less: net assets acquired	(1,267)
Bargain purchase arising on acquisition	(326)

Analysis of net cash outflow arising on acquisition of assets through acquisition of Watson China:

	HK$'000
Cash consideration paid	–

The non-controlling interests (11.11%) in Watson China recognised at the acquisition date was measured at the proportionate share of net assets acquired.

Included in the loss for the year is approximately HK$786,000 attributable to the additional business generated by Watson China. No revenue for the year was generated from Watson China.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been approximately HK$10,191,000, and loss for the year would have been approximately HK$121,977,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

43. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2015 *(Continued)*

(b) Acquisition of Deluxe Charm

On 14 July 2015, Honesty Forever Limited ("Honesty Forever"), an indirectly wholly-owned subsidiary of the Company, as a subscriber and Deluxe Charm, entered into a share subscription agreement, in which Deluxe Charm allotted and issued 999 new ordinary shares, representing 99.9% of the entire issued share capital of Deluxe Charm, to Honesty Forever at a consideration of USD999. On 12 August 2015, 0.1% of the entire issued share capital of Deluxe Charm held by an independent third party, was transferred to Honesty Forever at USD1. The acquisition has been accounted for using the purchase method.

The acquisition was completed on 12 August 2015. Honesty Forever became the sole legal and beneficial owner of the entire issued share capital of Deluxe Charm. Deluxe Charm is engaged in investment holdings.

Acquisition-related costs amounting to approximately HK$6,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Loan and interest receivable	16,500
Accrual and other payable	(14,000)
	2,500
Total consideration satisfied by:	
Cash	8

43. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2015 *(Continued)*

(b) Acquisition of Deluxe Charm (Continued)

The fair value of loan and interest receivable at the date of acquisition is HK$16,500,000. The gross contractual amounts of the loan and interest receivable acquired amounted to approximately HK$21,886,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK$5,386,000.

Bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	8
Less: net assets acquired	(2,500)
Bargain purchase arising on acquisition	(2,492)

Analysis of net cash outflow arising on acquisition of assets through acquisition of Deluxe Charm:

	HK$'000
Cash consideration paid	8

No revenue and profit for the year is attributable to the Deluxe Charm.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been approximately HK$10,191,000, and loss for the year would have been approximately HK$124,326,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

44. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2014

On 23 May 2014, Magic Perfection Global Limited ("Magic Perfection"), an indirectly wholly-owned subsidiary of the Company, and Ms. Sui Ka Man ("Mr. Sui"), an independent third party, as the assignor, executed the assignment of shares of Tinian Realty International Co., ("TRI"), pursuant to which Mr. Sui has assigned the entire issued share capital of TRI to Magic Perfection at the consideration of United State Dollars ("USD") 50,000 (equivalent to approximately HK$390,000). Also, on the same date, Magic Perfection executed a deed of loan assignment with Mr. Sui pursuant to which Mr. Sui agreed to sell and Magic Perfection has agreed to acquire all Mr. Sui's interest in the indebtedness of TRI at the consideration of USD100,000 (equivalent to approximately HK$780,000). Upon completion, Magic Perfection became the sole legal and beneficial owner of the entire issued share capital of TRI. The date of completion of the acquisition was on 23 May 2014. TRI was mainly holding a prepaid lease payment in Tinian, CNMI, for future development purpose. The acquisition had been accounted for as an acquisition of assets and liabilities.

Acquisition-related costs amounting to HK$50,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

44. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2014 *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Prepaid lease payment	21,342
Accrual and other payable	(20,172)
	1,170

Total consideration satisfied by:

Cash	1,170

Analysis of net cash outflow arising on acquisition of assets through acquisition of TRI:

	HK$'000
Cash consideration paid	1,170

Included in the loss for the year is approximately HK$1,046,000 attributable to the additional business generated by TRI. No revenue for the year generated from TRI.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been approximately HK$8,430,000, and profit for the year would have been HK$56,235,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

45. DISPOSAL OF SUBSIDIARIES

a. Disposal of China Smart and its subsidiary (collectively referred to as the "China Smart Group")

On 29 May 2015, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser A") and pursuant to which, (i) the Group has agreed to sell to the Purchaser A, and the Purchaser A has agreed to purchase from the Group, the entire equity interests of China Smart, and (ii) the Group has agreed to assign to the Purchaser A, and the Purchaser A has agreed to accept the assignment of, a sale loan at the consideration in the aggregate sum of HK$93,000,000, which is settled by way of (i) cash of HK$46,500,000, (ii) CEF CBs A with principal amount of HK$23,000,000, and (iii) CEF CBs B with principal amount of HK$23,500,000. The completion of the disposal took place on 20 August 2015.

China Smart is a company of limited liability incorporated in Hong Kong. At the date of the sale and purchase agreement, China Smart is principally engaged in investment holding and is the sole legal and beneficial owner of the entire equity interest in a PRC subsidiary, 深圳市盛世富強科技有限公司 (the "PRC Subsidiary"). The PRC Subsidiary is a company of limited liability incorporated in PRC and is principally engaged in properties investment.

Consideration transferred

	HK$'000
Cash	**46,500**
CFE CBsA, at fair value (Note 24(a)(ii))	**22,964**
CFE CBsB, at fair value (Note 24(a)(ii))	**23,563**
	93,027

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

a. Disposal of China Smart and its subsidiary (collectively referred to as the "China Smart Group") *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	688
Investment properties (Note 19)	132,516
Prepayments, deposits and other receivables	1,079
Bank balances and cash	701
Accruals and other payables	(9,408)
Amount due to the Group	(123,702)
Deferred tax liabilities (Note 32)	(24,026)
Net liabilities disposed of	(22,152)
Cumulative exchange differences in respect of the net liabilities of the China Smart Group reclassified from equity to profit or loss on loss of control of the China Smart Group	(6,100)
Waiver of amount due to the Group	123,702
Loss on disposal of subsidiaries	(2,423)
Total consideration received	93,027

Net cash inflow arising on the disposal

	HK$'000
Cash consideration	46,500
Less: Bank balances and cash disposed of	(701)
	(45,799)

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

b. Disposal of Chinese Travel Agency Limited ("Chinese Travel")

On 25 September 2015, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser B") and pursuant to which, (i) the Group has agreed to sell to the Purchaser B, and the Purchaser B has agreed to purchase from the Group, the entire equity interests of Chinese Travel, a wholly-owned subsidiary, and (ii) the Group has agreed to assign to the Purchaser B, and the Purchaser B has agreed to accept the assignment of, a shareholder loan at the consideration in the aggregate sum of HK$800,001 in cash. The completion of the disposal took place on 30 September 2015. Chinese Travel is inactive during the year ended 31 December 2015.

Consideration transferred

	HK$'000
Cash	800

Analysis of assets and liabilities over which control was lost:

	HK$'000
Prepayments, deposits and other receivables	805
Bank balances and cash	4
Amount due to the Group	(1,817)
Net liabilities disposed of	(1,008)
Waiver of amount due to the Group	1,817
Loss on disposal of a subsidiary	(9)
Total consideration received	800

Net cash inflow arising on the disposal

	HK$'000
Cash consideration	800
Less: bank balances and cash disposed of	(4)
	796

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Unlisted investments in subsidiaries (Note a)	**23**	23
Current assets		
Prepayments, deposits and other receivables	**1,005**	866
Amounts due from subsidiaries (Note a)	**451,522**	346,971
Bank balances and cash	**43,407**	954
	495,934	348,791
Current liabilities		
Other payables and accruals	**4,733**	4,829
Amounts due to subsidiaries (Note a)	**40,569**	16,672
Borrowings	**16,347**	56,702
Derivative financial liabilities	**8,125**	3,156
Convertible loan notes	**52,895**	–
	122,669	81,359
Net current assets	**373,265**	267,432
Total assets less current liabilities	**373,288**	267,455
Non-current liability		
Bond payables	**50,000**	10,000
Net assets	**323,288**	257,455
Capital and reserves		
Share capital	**982**	676
Reserves (Note b)	**322,306**	256,779
Total equity	**323,288**	257,455

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

Notes:

a. Investments in subsidiaries/amounts due from (to) subsidiaries

	2015 HK$'000	2014 HK$'000
Investment at cost		
Unlisted shares	**23**	23
Amounts due from subsidiaries		
Interest bearing at 3.5% per annum (2014: 3.5%)	**96,643**	154,912
Non-interest bearing	**2,909,671**	2,746,851
	3,006,314	2,901,763
Less: accumulated impairment loss recognised	**(2,554,792)**	(2,554,792)
	451,522	346,971
Amounts due to subsidiaries		
Non-interest bearing	**40,569**	16,672

The amounts due from (to) subsidiaries are unsecured and repayable on demand.

b: Movements of reserves during the years are as follows:

	Share premium HK$'000	**Contributed surplus** HK$'000	**Share options reserve** HK$'000	**Warrant reserve** HK$'000	**Convertible loan notes reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2014	2,901,300	16,500	3,590	1,350	–	(2,632,036)	290,704
Loss for the year	–	–	–	–	–	(33,925)	(33,925)
At 31 December 2014	2,901,300	16,500	3,590	1,350	–	(2,665,961)	256,779
Loss for the year	–	–	–	–	–	(77,391)	(77,391)
Issue of convertible loan notes (Note 34)	–	–	–	–	4,630	–	4,630
Transaction cost of attributable to issue of convertible loan notes (Note 34)	–	–	–	–	(139)	–	(139)
Conversion of convertible loan notes (Note 34)	18,743	–	–	–	(1,123)	–	17,620
Exercise of warrants (Note 33)	28,132	–	–	(1,346)	–	–	26,786
Cancellation of warrants upon expiration (Note 33)	–	–	–	(4)	–	4	–
Issue of shares (Note 36)	96,782	–	–	–	–	–	96,782
Placing expenses	(2,761)	–	–	–	–	–	(2,761)
At 31 December 2015	**3,042,196**	**16,500**	**3,590**	**–**	**3,368**	**(2,743,348)**	**322,306**

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2015 and 2014 are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	
Asia Pacific Resort and Entertainment Limited	British Virgin Islands ("BVI")	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Project development
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	–	–	100%	100%	–	–	100%	100%	Investment holdings
Best Core Investment Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Bright Amazing Limited (note d(ii))	BVI	Ordinary	USD1,000	–	–	100%	–	–	–	100%	–	Investment holdings
Charm State International Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
China Smart (note a)	Hong Kong	Ordinary	HK$1	–	–	–	100%	–	–	–	100%	Investment holdings
Chinese Travel (Holdings) Limited (note d(i))	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
Deluxe Charm Limited (note f)	BVI	Ordinary	USD1,000	–	–	100%	–	–	–	100%	–	Investment holdings
Dragon Billion Limited	Hong Kong	Ordinary	HK$1	100%	100%	–	–	100%	100%	–	–	Investment holdings

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2015 and 2014 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company Directly		Indirectly		Proportion of voting power held by the Company Directly		Indirectly		Principal activities
				2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	
Ease Power Investment Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Easy Champ Corporation Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Excel Return Enterprises Limited	BVI	Ordinary	USD1	–	–	100%	100%	–	–	100%	100%	Trading of securities
Fameway	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Provision of financing services
First Champion Worldwide Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
GML	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
Gold Wide Holdings Limited	Hong Kong	Ordinary	HK$160,000	–	–	75%	75%	–	–	75%	75%	Investment holdings
Host Luck Limited	Hong Kong	Ordinary	HK$10,000	–	–	99.9%	99.9%	–	–	99.9%	99.9%	Holding of investment properties

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2015 and 2014 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company Directly 2015 %	Directly 2014 %	Indirectly 2015 %	Indirectly 2014 %	Proportion of voting power held by the Company Directly 2015 %	Directly 2014 %	Indirectly 2015 %	Indirectly 2014 %	Principal activities
Kenbo Trading Company Limited	Hong Kong	Ordinary	HK$10,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Luck Bloom International Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Marianas Stars Entertainment, Inc. (“MSE”) (note e)	CNMI	Common stock	USD10,000	–	–	–	75%	–	–	–	75%	Investment holdings
Master Premium Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
Magic Red (Note d(ii))	BVI	Ordinary	USD1	–	–	100%	–	–	–	100%	–	Investment holdings
Much Million Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Fund investment
Rich Best	BVI	Ordinary	USD1,000	100%	100%	–	–	100%	100%	–	–	Investment holdings
Richmax Corporation Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Right Magic Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Trading of securities
Sina Winner	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Trading of securities

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2015 and 2014 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	
Sino Apex International Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
Sun Famous Investment Limited (note c)	Hong Kong	Ordinary	HK$1,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Sure Venture	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Trading of securities
TEC (Note d(ii))	CNMI	Ordinary	USD1,000	–	–	100%	–	–	–	100%	–	Project Development
TRI (note b)	CNMI	Common Stock	USD1	–	–	100%	100%	–	–	100%	100%	Investment holdings
Top Galaxy (Asia) Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Top Status	BVI	Ordinary	USD1	–	–	100%	100%	–	–	100%	100%	Trading of securities
Watson China Limited (note f)	Hong Kong	Ordinary	HK$900,000	–	–	88.89%	–	–	–	88.89%	–	Holding of investment properties
Winner Performance Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Trading of securities
深圳市盛世富強科技有限公司 (note a)	PRC	Ordinary	USD5,000,000	–	–	–	100%	–	–	–	100%	Holding of investment properties

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of both years or at any time during both years.

Notes:

(a) China Smart and 深圳市盛世富強科技有限公司 were disposed during the year ended 31 December 2015. Details are disclosed in Note 45 to the consolidated financial statements.

(b) On 23 May 2014, the Group completed the acquisition of TRI. Details are disclosed in Note 44 to the consolidated financial statements.

(c) The immediately holding company, Best Marvel Investment Limited ("BML") purchased the 1 remaining share from the independent third party for consideration of HK$1 on 1 September 2014. Therefore, the entire issue shares of the subsidiary were held by BML as at 31 December 2014.

(d) (i) It was newly incorporated during the year ended 31 December 2014.

(ii) It was newly incorporated during the year ended 31 December 2015.

(e) MSE is incorporated on 14 January 2014, in which the Group and an independent third party acquired 75% and 25% of its issued share capital respectively at a consideration of approximately HK$59,000 and HK$20,000 on 16 April 2014. MSE was inactive since incorporation and hence the Directors considered that the considerations paid were approximately to their fair value at the acquisition date. During the year ended 31 December 2015, MSE is deregistered. A loss on deregistration of approximately HK$1,042,000 was recognised in profit or loss and amounting to approximately HK$2,284,000 is released in the non-controlling interests.

Fortune Lead Holdings Limited ("FLHL") and its wholly-owned subsidiaries, Sure Progress Investment Limited ("SPIL") and 承教投資諮詢(深圳)有限公司 (collectively known as "FLHL Group"), in which the Group acquired 100% of their issued share capital at a consideration of approximately HK$145,000 on 15 August 2014. FLHL Group were inactive since incorporation and hence the Directors considered that the considerations paid were approximately to their fail value at the acquisition date.

(f) Watson China and Deluxe Charm were acquired during the year ended 31 December 2015. Details are disclosed in Note 43 to the consolidated financial statements.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

These subsidiaries operate in different countries. The principal activities of these subsidiaries are inactive and summarised as follows:

Principal activity	Principal place of business	Number of subsidiaries	
		2015	2014
Inactive	BVI	**26**	24
	Hong Kong	**4**	5
	PRC	**1**	1
	Macau	**1**	–
	CNMI	**1**	–
		33	30

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Gold Wide Holdings Limited	Hong Kong	**25.00%**	25.00%	**627**	2,996	**28,160**	27,533
Watson China Limited	Hong Kong	**11.11%**	–	**(88)**	–	**53**	–
Individually immaterial subsidiaries with non-controlling interests						**6**	(2,278)
						28,219	25,255

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited

	2015 HK$'000	2014 HK$'000
Current assets	**117**	45
Non-current assets	**165,057**	168,254
Current liabilities	**(319)**	(196)
Equity attributable to owners of the Company	**148,210**	140,570
Non-controlling interests	**28,160**	27,533

	2015 HK$'000	2014 HK$'000
Revenue	**8,317**	11,988
Expenses	**(5,809)**	(4)
Profit attributable to owners of the Company	**1,881**	8,988
Profit attributable to non-controlling interests	**627**	2,996
Profit for the year	**2,508**	11,984
Other comprehensive expense attributable to owners of the Company	**(4,317)**	(435)
Other comprehensive expense attributable to non-controlling interests	**(1,439)**	(145)
Other comprehensive expense for the year	**(5,756)**	(580)
Total comprehensive (expense) income for the year	**(3,248)**	11,404

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited *(Continued)*

	2015 HK$'000	2014 HK$'000
Total comprehensive (expense) income attributable to owners of the Company	(2,436)	8,553
Total comprehensive (expense) income attributable to non-controlling interests	(812)	2,851
Total comprehensive (expense) income for the year	(3,248)	11,404
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(50)	(6)
Net cash outflow from investing activities	–	–
Net cash outflow from financing activities	–	–
Net cash outflow	(50)	(6)

Watson China Limited

	2015 HK$'000	2014 HK$'000
Current assets	99	–
Non-current assets	7,600	–
Current liabilities	(7,218)	–
Equity attributable to owners of the Company	428	–
Non-controlling interests	53	–

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Watson China Limited *(Continued)*

	2015 **HK$'000**	2014 HK$'000
Revenue	**–**	–
Expenses	**(786)**	–
Loss attributable to owners of the Company	**(698)**	–
Loss attributable to non-controlling interests	**(88)**	–
Loss for the year	**(786)**	–
Other comprehensive expense attributable to owners of the Company	**–**	–
Other comprehensive expense attributable to non-controlling interests	**–**	–
Other comprehensive expense for the year	**–**	–
Total comprehensive expense for the year	**(786)**	–

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Watson China Limited *(Continued)*

	2015 **HK$'000**	2014 HK$'000
Total comprehensive expense attributable to owners of the Company	**(698)**	–
Total comprehensive expense attributable to non-controlling interests	**(88)**	–
Total comprehensive expense for the year	**(786)**	–
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from operating activities	**–**	–
Net cash inflow (outflow) from investing activities	**–**	–
Net cash inflow (outflow) from financing activities	**–**	–
Net cash inflow (outflow)	**–**	–

48. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(i) Acquisition of 51% equity interests in 金地毯（北京）文化傳媒有限公司 (transliterated as Gold Carpet (Beijing) Culture Media Limited) ("Gold Carpet")

On 25 February 2016, 北京華鼎匯金投資有限責任公司 (transliterated as Beijing Huading Huijin Investment Company Limited) as vendor (the "Vendor"), Selected Team Limited, a newly incorporated wholly-owned subsidiary of the Company (the "Purchaser") and the Company entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, through a wholly foreign owned enterprise, the 51% equity interests in Gold Carpet at the consideration of HK$120,000,000, which shall be satisfied by the issue of the convertible bonds by the Purchaser. The convertible bonds in the principal amount of HK$120,000,000, upon full conversion, are convertible into 240,000,000 new shares, which is issued and allotted by the Company under the specific mandate, at the conversion price of HK$0.5 per conversion share.

Pursuant to the sale and purchase agreement, the Purchaser warrants that upon the completion of the acquisition, it will provide shareholder's loan to Gold Carpet under the sale and purchase agreement. The amount of such shareholder's loan shall not be more than RMB20,000,000.

On 2 March 2016, the Purchaser and the Vendor entered into an addendum (the "Addendum") to the sale and purchase agreement, pursuant to which the Purchaser agreed to advance a sum of HK$10,000,000 within five days as deposit for the shareholder's loan to Gold Carpet upon execution of the Addendum. The Purchaser shall be the legal and beneficial owner of the deposit.

Completion of the above transactions are subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in the sale and purchase agreement and the Addendum. Details of the acquisition are set out in the announcements of the Company dated 25 February 2016 and 2 March 2016.

48. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(ii) Placing of convertible bonds under specific mandate and placing of options to subscribe further convertible bonds under specific mandate

On 29 February 2016, the Company and the placing agent entered into a placing agreement. The Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six placees to subscribe for the first convertible bond (the "First CB") in the principal amount of up to HK$500,000,000. Pursuant to the placing agreement, each placee having subscribed for HK$500,000 in the principal amount of the First CB in the First CB placing shall have the priority to subscribe one option at the option premium of HK$25,000 per option (the "Option"). Each and every Option shall entitle the Option holder to subscribe for HK$500,000 in principal amount of the further convertible bond (the "Further CB") upon exercise of the subscription right thereunder at the Further CB subscription price of HK$500,000.

The maximum gross proceeds from the First CB placing will be HK$500,000,000, the maximum gross proceeds from the Option placing will be HK$25,000,000, and the maximum gross proceeds from the subscription of Further CB will be HK$500,000,000. In aggregate, the maximum gross proceeds to be raised from the above will be up to the amount of HK$1,025,000,000.

Assuming the First CB in the aggregate principal amount of HK$500,000,000 being fully placed to the placees, the First CB, upon full conversion, are convertible into 1,000,000,000 new shares at the First CB conversion price of HK$0.5, and shall be allotted and issued by the Company under the specific mandate. Assuming the Option being fully subscribed, upon exercise of the 1,000 Options to subscribe the Further CB, and assuming full conversion of the Further CB in the aggregate principal amount of HK$500,000,000 at the initial Further CB conversion price of HK$0.5, a total of 1,000,000,000 Further CB conversion shares shall be allotted and issued by the Company under the specific mandate.

Completion of the above transactions are subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in the placing agreement and Option subscription agreement. Details of the placing are set out in the announcement of the Company dated 2 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Turnover	**164,544**	150,483	94,078	155,335	89,500
Revenue	**10,191**	8,430	10,755	14,616	44,000
Cost of sales	**(346)**	(256)	(226)	(135)	(941)
Gross profit	**9,845**	8,174	10,529	14,481	43,059
Other income and gains	**3,702**	2,335	2,281	6,378	3,108
Administrative expenses	**(88,925)**	(85,975)	(46,443)	(47,719)	(45,096)
Gain on disposal of an investment property	**–**	–	–	–	880
Fair value changes in investment properties	**(400)**	7,400	2,700	(107)	5,695
Change in fair values of investments held for trading	**(63,794)**	3,313	(13,423)	7,255	(100,151)
Gain (loss) on disposals of investments held for trading	**34,466**	(19,012)	20,284	85	(23,709)
(Loss) gain on disposal of convertible instruments designated at financial assets at fair value through profit or loss	**–**	–	–	(18,934)	(1,869)

FIVE-YEAR FINANCIAL SUMMARY

RESULTS *(Continued)*

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Restated)
Changes in fair values of convertible instruments designated at financial assets at fair value through profit or loss	**308**	101,110	10,020	4,742	5,302
Change in fair values of derivative financial assets/liabilities	**(4,525)**	(3,870)	2,299	(3,217)	–
Gain arising from derecognition of derivative financial liabilities	**3,156**	–	4,567	–	–
Impairment loss on interest in associate	**–**	–	–	(1,475)	–
Impairment loss recognised in respect of other receivables	**–**	(9,268)	(11,238)	(29,544)	(199,180)
Reversal of impairment loss recognised in respect of loan and interest receivables	**–**	25,658	2,015	–	–
Impairment loss on investment deposits paid	**–**	–	–	–	(26,286)
(Loss) gain on disposal of subsidiaries	**(2,432)**	–	–	2,749	–
Gain on disposal of available-for-sale financial assets	**–**	1,892	–	–	–
Gain (loss) on deemed disposal of partial interest in an associate	**–**	36,862	(8,453)	–	–
Loss on deregistration of a subsidiary	**(1,042)**	–	–	–	–
Gain on bargain purchase	**2,818**	–	–	–	–
Share of loss of an associate	**(218)**	–	–	–	–
Share of profit of a joint venture	**11,229**	16,185	6,528	12,706	13,614
Finance costs	**(26,047)**	(24,656)	(1,309)	(2,664)	(224)

RESULTS *(Continued)*

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
(Loss) profit before tax	**(121,859)**	60,148	(19,643)	(55,264)	(324,857)
Income tax credit (expense)	**(2,467)**	(3,913)	(1,561)	646	(9,534)
Profit/(loss) for the year from discontinued operations	**–**	–	–	464	(214)
(Loss) profit for the year	**(124,326)**	56,235	(21,204)	(54,154)	(334,605)
Attributable to:					
Owners of the Company	**(126,304)**	55,542	(22,415)	(56,512)	(337,115)
Non-controlling interests	**1,978**	693	1,211	2,358	2,510
	(124,326)	56,235	(21,204)	(54,154)	(334,605)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Total non-current assets	**380,378**	462,677	453,077	431,826	309,932
Total current assets	**792,710**	599,664	431,819	451,286	587,192
Total current liabilities	**264,269**	174,286	61,733	57,177	29,109
Total non-current liabilities	**51,973**	35,788	32,525	31,536	23,778
Equity attributable to owners of the Company	**828,627**	827,012	765,951	771,718	823,918
Non-controlling interest	**28,219**	25,255	24,687	22,681	20,319

SUMMARY OF INVESTMENT PROPERTIES

Address	Lot number	Tenure	Existing use
Hong Kong			
Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking