South China Assets Holdings Limited

南華資產控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 08155

2015

Annual Report

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.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)
Mr. Law Albert Yu Kwan

Non-executive Director

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Ms. Chan Mei Bo Mabel
Sr Dr. Leung Tony Ka Tung
Ms. Pong Scarlett Oi Lan, J.P.

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

AUTHORISED REPRESENTATIVE

Ms. Cheung Choi Ngor

AUDIT COMMITTEE

Ms. Chan Mei Bo Mabel (*Committee Chairman*)
Mr. Ng Yuk Yeung Paul
Ms. Pong Scarlett Oi Lan, J.P.

REMUNERATION & NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, J.P. (*Committee Chairman*)
Ms. Chan Mei Bo Mabel
Sr Dr. Leung Tony Ka Tung

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Chong Hing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

08155

WEBSITE OF THE COMPANY

www.scland.co

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Assets Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue and profit attributable to the equity holders of the Company, both being the financial key performance indicators, for the year ended 31 December 2015 of HK$0.6 million (2014: nil) and HK$48.1 million (2014: a loss of HK$3.0 million), respectively. The profit attributable to the equity holders of the Company for the year ended 31 December 2015 primarily resulted from the fair value gain on redemption option embedded in redeemable convertible preference shares of a related company and the gain on disposal of subsidiaries, which were partially offset by the impairment loss on properties under development, the loss on disposal of available-for-sale financial assets and administrative and other operating expenses. Earnings per share attributable to equity holders of the Company for the year was HK0.44 cent (2014: loss per share of HK0.03 cent).

FINANCIAL REVIEW

During the year, the Group has acquired companies engaged in provision of investment advisory and asset management services and money lending business. Management expected that the new business will generate steady income stream for the Group. The current year revenue is wholly attributable to the subsidiary, which is engaged in the money lending business, acquired in November 2015. The property development segment did not record any revenue in both 2015 and 2014 as the property development projects on hand were still at the development stage.

In 2015, the fair value gain on redemption option embedded in redeemable convertible preference shares of a related company was HK$85.3 million (2014: HK$21.7 million). The increase in fair value gain mainly resulted from the movements in various parameters including share price of South China Holdings Company Limited ("SCHC"). Also, as detailed in the joint announcement of the Company and SCHC and the circular of the Company dated 16 June 2015 and 4 September 2015, respectively, Crystal Hub Limited ("Crystal Hub") received newly issued redeemable convertible preference shares in SCHC for settlement of part of the consideration for the sale of the entire interests in Elite Empire Investments Limited ("Elite Empire") and Bigwin Investments Limited ("Bigwin"), both being indirect wholly-owned subsidiaries of the Company prior to the completion of the said sale, and the outstanding loans to them and their subsidiaries. Such newly issued redeemable convertible preference shares also contributed to the increase in fair value gain on redemption option embedded in redeemable convertible preference shares. The disposal of Elite Empire and Bigwin also gave rise to a gain on disposal of subsidiaries of HK$13.8 million. Administrative and other operating expenses amounted to HK$22.8 million (2014: HK$25.0 million) for the year under review.

BUSINESS REVIEW

The principal businesses of the Group include property development and financial services.

(a) Property development

Shenyang, Liaoning Province

As published in the joint announcement of the Company and SCHC dated 7 October 2015, the sale of the entire issued share capital of Elite Empire, the intermediate holding company of the legal and beneficial owner of the development rights in Dadong District (大東區) property development project, was completed in October 2015 (Details of the transaction are set out in the section headed "Material Acquisitions or Disposals of Subsidiaries and Associates" below).

Under the development plan of the Huanggu District (皇姑區) property development project, the Huanggu District (皇姑區) property development project has a site area of approximately 67,000 square metres. A mixed development which comprises commercial/retail, residential and office/hotel will be built. According to the Auction Confirmation Letter (掛牌交易成交確認書) (the "Auction Confirmation Letter"), the consideration for the land use rights is RMB1,176.8 million. As of today, RMB235.4 million has been paid.

Since the site demolition work and occupants relocation have not been carried out by the government, the government is not in a position to deliver vacant possession of the site to a subsidiary of the Company. Management has been negotiating with the government to resolve the issue. Regarding payment of compensation, the Company and the subsidiary of the Company has commenced legal proceedings against Shenyang City Huanggu Region Construction Administration Bureau (沈陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (沈陽市土地交易中心) in the Liaoning High People's Court (遼寧省高級人民法院) for damages and other reliefs.

Cangzhou, Hebei Province

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 square metres, is a commercial/retail development to provide shopping mall, entertainment, dining and recreational facilities with a total GFA of approximately 45,000 square metres. The consideration for the land use rights is RMB15.3 million. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) for the project. Main contract work is expected to commence upon the issuance of the Construction Permit (建設工程施工許可證).

In February 2014, the Group won a bid at the tender for the acquisition of the land adjacent to the then existing Huanghua New City property development project with a site area of 32,921 square metres and allowable GFA of approximately 99,000 square metres. The consideration for the land acquisition, which amounted to RMB15.5 million, has been paid fully. The above newly acquired land, being the second phase of the Huanghua New City property development project, will provide further commercial/retail/office/hotel facilities.

Tianjin

As published in the circular of the Company and the joint announcement of the Company and SCHC dated 4 September 2015 and 7 October 2015 respectively, the sale of the entire issued share capital of Bigwin, the intermediate holding company of the legal and beneficial owner of the development rights in Wuqing District (武清區) property development project, was completed in October 2015 (Details of the transaction are set out in the section headed "Material Acquisitions or Disposals of Subsidiaries and Associates" below).

The existing property portfolio of the Group is located in Mainland and is therefore subject to the risks associated with China's property market. Our property development operations in the mainland may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations. To mitigate the abovementioned risks, the Group will monitor such exposures closely with a view to reacting timely to any change.

(b) Financial services

The acquisition of entire share capital of South China Asset Management Limited ("SCA"), a licensed corporation holding the licenses for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), from South China Financial Holdings Limited ('SCF") was completed in September 2015. SCA is currently working on products development, and has not recorded any revenue in 2015.

In November 2015, the Group acquired a company engaged in money lending business, South China Financial Credits Limited ("SCFC"), from SCF. SCFC is governed by the Hong Kong Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) with business scope encompassing unsecured personal loans, tax loans, small business loans, specialized lending and debt consolidation. The loan portfolio of the money lending business amounted to HK$14.1 million as at 31 December 2015.

The directors considered that the key risk exposures of our investment advisory and asset management business and lending business are market risk, credit risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The Group does not take trade positions which expose it to material price risk or foreign exchange risk.

The Group's risk management objectives are therefore to minimize the key financial risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure that the relevant regulated entities comply with the regulatory capital requirements and the financial services operations maintain adequate working capital.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had a current ratio of 1.7 (2014: 1.8) and a gearing ratio of 0.3%. The gearing ratio is computed by comparing the Group's bank borrowing to the Group's total equity. As at 31 December 2014, the Group had no bank borrowing. The Group financed its operation and investments by internal resources and bank borrowings.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

(a) Acquisition of the entire issued share capital of South China Asset Management Limited

As published in the joint announcement of the Company and SCF dated 18 May 2015, SCF entered into the sale and purchase agreement with Wealth Anchor Holdings Limited ("WAHL"), a direct wholly-owned subsidiary of the Company, whereby WAHL conditionally agreed to acquire and SCF conditionally agreed to sell the entire issued share capital of SCA. The principal activities of SCA consist of the provision of investment advisory and asset management services. The consideration, which was arrived at after arm's length negotiations between SCF and WAHL, shall be the net asset value of SCA as at 30 April 2015 subject to the adjustment to align the consideration so determined to the net asset value of SCA as at the date of completion of the abovementioned transaction.

The transaction was completed on 30 September 2015 and the consideration as adjusted with reference to the completion accounts made up to the completion date amounted to approximately HK$5.6 million.

(b) Disposal of the entire issued share capital of Elite Empire and Bigwin and the related outstanding loans

As published in the joint announcement of the Company and SCHC and the circular of the Company dated 16 June 2015 and 4 September 2015, respectively, Crystal Hub, a direct wholly-owned subsidiary of the Company, entered into (i) the Sale Share Agreement with Perennial Success Limited ("Purchaser A") and Profit Runner Investments Limited ("Purchaser B") whereby Crystal Hub conditionally agreed to sell to Purchaser A and Purchaser B the entire interests in Elite Empire and Bigwin, respectively, and Purchaser A and Purchaser B conditionally agreed to acquire the same from Crystal Hub and (ii) the Sale Debts Agreement with Purchaser A and Purchaser B whereby Crystal Hub conditionally agreed to sell to Purchaser A and Purchaser B all the loans it made to Elite Empire (and its subsidiaries) and Bigwin (and its subsidiaries), respectively, which remain outstanding immediately before completion of the relevant transactions at a total consideration not exceeding HK$1,654.1 million (subject to adjustment determined based on the completion accounts). Under the Sale Shares Agreement, SCHC and the Company shall enter into a deed of undertaking whereby SCHC shall, at the request of the Company, grant guarantee(s) in favour of the prospective lenders of any member of the Group subject to certain condition and the Company shall in return provide counter guarantees. For more details, please refer to the circular dated 4 September 2015 issued by the Company.

The completion of the abovementioned transactions took place on 7 October 2015 in accordance with the terms and conditions of the agreements. The total consideration of the transaction was satisfied by (i) applying the exercise price of the Put Option in the sum of HK$700 million payable by Crystal Hub to Purchaser A upon the exercise of such Put Option; (ii) cash payment in the sum of HK$92.85 million and (iii) as procured by Purchaser A and Purchaser B, the issue of the redeemable convertible preference shares by SCHC to Crystal Hub for the remaining balance. The consideration for Sale Shares A and Sale Share B after the adjustments for shortfall in net assets of Elite Empire and its subsidiaries and the excess in net liabilities of Bigwin and its subsidiaries amounted to approximately HK$856.9 million in total and the aggregate consideration for Sale Debt A and Sale Debt B as adjusted for the variances from the balances which Crystal Hub informed Purchaser A and Purchaser B before the completion of the transaction amounted to approximately HK$740.8 million. All the abovementioned adjustments made pursuant to the Sale Share Agreement and the Sale Debts Agreement were determined based on the completion accounts of the relevant disposal groups, which were made up to the completion date of the transactions contemplated under the Sale Share Agreement and the Sale Debts Agreement. Further details of such adjustments were set out in the joint announcement of the Company and SCHC dated 1 February 2016.

(c) Acquisition of the entire issued share capital of South China Financial Credits Limited

As published in the joint announcement of the Company and SCF dated 5 November 2015, SCF, Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul (collectively the "Vendors") entered into the sale and purchase agreement with Prosperous Global Holdings Limited ("PGHL"), a direct wholly-owned subsidiary of the Company, whereby the Vendors agreed to sell and PGHL agreed to purchase the entire issued share capital of SCFC. The principal activity of SCFC, which maintains a money lenders licence, is money lending.

The transaction was completed on 25 November 2015 and the consideration as adjusted with reference to the completion accounts made up to the completion date amounted to approximately HK$20.6 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2015, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2015, the total number of employees of the Group was 40 (2014: 154). Employees' cost (including Directors' emoluments) amounted to HK$49.9 million for the year (2014: HK$77.6 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company on 8 May 2012 and 18 March 2011 respectively.

PROSPECTS

Management reviewed the business of the Group in 2015, and was of the view that it is in the best interest of the Group to consolidate its existing property development business and diversify into new business in the financial services sector which is able to produce steady income stream given the existing market conditions and the resources available.

In 2015, the growth in the global economy slowed down and its recovery was full of hardships. The growth in the gross domestic product of China continued to slow down affecting the domestic consumption sentiment. The year of 2016 will be another challenging year given the dynamic changes in both macroeconomic environment and policy changes in China. Despite the challenges, management believes opportunities still exist for our business growth. The Group will pay close attention to the internal and external economic situations and continue to closely monitor and make great efforts on adjusting internal structure and optimizing businesses.

(a) Financial services business

To diversify into new business, the Group has acquired a company engaged in provision of investment advisory and asset management services and a company engaged in money lending business in September 2015 and November 2015, respectively.

In view of increasing demand of financial plans and needs of customers in the Greater China region, the Group will continue to build a one-stop centre to offer a diverse range of financial services.

SCA, our asset management arm, will explore the opportunities of setting up labelled funds for prospective clients and acting as Investment Advisor or Investment Manager for the funds which it may launch. It will also provide investment advisory and asset management services for tailor-made discretionary portfolios of equities, bonds, mutual funds, investment linked products and other financial assets.

SCFC, our money lending business unit, will keep on reviewing its products with a view to serving the customers' needs better and enhancing product competitiveness.

(b) Property development business

After the completion of the disposal of entire issued share capital of Elite Empire and Bigwin in 2015, the projects on hand has aggregate site area of approximately 142,000 square meters including approximately 67,000 square meters attributable to the Huanggu District project. As mentioned in the section "BUSINESS REVIEW", the Group has been in discussions with the local government to resolve the issue.

To diversify its business, the Group has shifted its focus to the small to medium size projects to relieve the burden on resources for the capital intensive projects.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our PRC establishments to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group is in compliance with related regulations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 15 March 2016

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 66, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of SCF and SCHC, both being listed on the Main Board of the Stock Exchange. Mr. Ng holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, an Executive Director and the Executive Vice Chairman of the Company and Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 62, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, a vice chairman and chief executive officer of SCHC, an executive director and a vice chairman of SCF, both being listed on the Main Board of the Stock Exchange. Ms. Cheung also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in Business Administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 January 2009. Ms. Cheung is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 72, is an Executive Director and a member of the Executive Committee of the Company. Mr. Gorges is also an executive director and a vice chairman of SCHC, being listed on the Main Board of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. Mr. Gorges holds a Master degree in Law from University of Cambridge in the United Kingdom. He was appointed as a Director of the Company on 7 January 2009. Mr. Gorges is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Ng Yuk Mui Jessica, aged 37, is an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company. Ms. Ng is also a non-executive director of SCHC and an executive director and an executive vice chairman of SCF, both being listed on the Main Board of the Stock Exchange. She is the executive vice chairman of South China Media Limited. She has a Bachelor degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 20 August 2003. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company.

Mr. Law Albert Yu Kwan, aged 66, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and the chief financial officer of SCHC, being listed on the Main Board of the Stock Exchange, and the group chief financial officer of South China group. Mr. Law has been the president of the Institute of Accountants in Management since 2007. Previously, Mr. Law held various positions including an independent non-executive director and the chairman of the audit committee of Guangzhou Automobile Group Company Limited from December 2007 to December 2013, the managing director of A. A. and Associates Consulting International Limited from April 2006 to January 2011, financial controller of K. Wah Construction Materials Limited from June 1997 to April 2006 (responsible for finance and accounting, legal, information technology and treasury), managing director of K.K. Yeung Financial Management Consultants International Limited from July 1996 to June 1997 (responsible for marketing, business development and overseas consulting projects) and assistant general manager (responsible for finance, accounting and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. Mr. Law had also served as the president of the UK Chartered Institute of Management Accountants (Hong Kong Division) in 2006/2007 and the chairman of the enterprise governance committee under the said institute from 2003 to 2007. He is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of International Accountants in England, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Society of Registered Financial Planners, and a fellow member of the Taxation Institute of Hong Kong. Mr. Law was appointed as a Director of the Company on 3 March 2013.

NON-EXECUTIVE DIRECTOR

Mr. Ng Yuk Yeung Paul, aged 34, is a Non-executive Director and a member of Audit Committee of the Company. Mr. Ng is also an executive director and an executive vice chairman of SCHC, being listed on the Main Board of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a standing committee member of Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. Mr. Ng has been engaged in the financial services, tourism and media businesses for more than ten years. He was appointed as a Director of the Company on 9 October 2003. Mr. Ng is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, an Executive Director and Executive Vice Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Mei Bo Mabel, aged 44, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Ms. Chan also serves as an independent non-executive director of Kingmaker Footwear Holdings Limited and Bank of Zhengzhou Co., Ltd., both being listed on the Main Board of the Stock Exchange. She was also an independent non-executive director of Hong Kong Education (Int'l) Investments Limited (formerly known as Modern Education Group Limited) and China Weaving Material Holdings Limited, both being listed on the Main Board of the Stock Exchange, during the periods from June 2011 to September 2012 and December 2011 to December 2014, respectively.

Ms. Chan is the founder of Mabel Chan & Co, Certified Public Accountants (Practicing) and a deputy managing partner of Grant Thornton Hong Kong Limited. She has over 20 years' experience in professional accounting field in Hong Kong. Ms. Chan holds a Master Degree in Business Administration from the Hong Kong University of Science and Technology and a Bachelor of Arts (Hons) Degree in Accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong). She is a Certified Public Accountant (Practicing) in Hong Kong, a fellow member of The Association of Chartered Certified Accountants, a Vice-President of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, a certified tax adviser and a member of The Taxation Institute of Hong Kong, a past president of The Society of Chinese Accountants and Auditors, a past president and council member of the Association of Women Accountants (Hong Kong) and a member of The Hong Kong Institute of Directors. Ms. Chan is also a member of the Barristers Disciplinary Tribunal Panel, a member of the Public Affairs Forum set up by the Home Affairs Bureau, a member of the Create Smart Initiative Vetting Committee of Create Hong Kong, a dedicated agency set up under the Commerce and Economic Development Bureau to lead and drive the development of the creative economy in Hong Kong, and a member of the Council of the Hong Kong Baptist University. Ms. Chan was appointed as a Director of the Company on 21 May 2013.

Sr Dr. Leung Tony Ka Tung, aged 66, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of SCHC, being listed on the Main Board of the Stock Exchange. Sr Dr. Leung has nearly 40 years of experience in property and hotel industry through his prior employments with the Lands Department of Hong Kong Government and various prominent listed property developers, such as The Hong Kong Land Co. Ltd., Hysan Development Co. Ltd., Lai Sun Development Co. Ltd. and Ryoden Development Ltd., and a leading surveyor company, Chesterton Petty Ltd., in Hong Kong. He was the Founder of TL Property Consultants International Limited and is the Chairman of TL Property Group companies.

Sr Dr. Leung holds a Doctorate Degree of Philosophy in Business Administration from Empresarial University, a Master Degree of Science in International Real Estate (with Distinction) from The Hong Kong Polytechnic University and a Bachelor Degree in Social Science (Hons) in Economics and Business Administration from Chung Chi College of The Chinese University of Hong Kong.

Sr Dr. Leung is a registered professional surveyor (GP/PD/PFM) in Hong Kong, a fellow member of The Hong Kong Institute of Surveyors ("HKIS"), a fellow member of The Royal Institution of Chartered Surveyors ("RICS") and a fellow member of Hong Kong Institute of Real Estate Administrators ("HIREA"). He is the Founder Chairman and a Past President of the HIREA, a member of the Supervisory Board and Nominating Committee of the Hong Kong Housing Society, a member of Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of Hong Kong Special Administrative Region, a member of the Planning Sub-Committee of the Land and Development Advisory Committee, the Honorary Secretary of the Hong Kong Professionals and Senior Executives Association, an Honorary Advisor and Honorary Mentor of Society of Business Administration of The Chinese University of Hong Kong, an Academic Consultant of The Institute for Sustainable Development in Macau University of Science & Technology, an Assessment of Professional Competence (APC) mentor of RICS (Hong Kong Branch), a visiting professor of Overseas Education College Shanghai Jiaotong University, a member of The Chinese People's Political Consultative Conference, Xuhui District, Shanghai, a member of The Chinese People's Political Consultative Conference, Chongzuo, Guangxi, a council member of Shanghai Overseas Chinese Friendship Association, a council member of Shanghai Xuhui China Overseas Friendship Association, an Honorary President of Hong Kong Guangxi Youth Association and an Honorary President of Guangxi Chongzuo Friendship Association. Sr Dr. Leung also holds various positions with HKIS, including the member of Board of Education, CEPA and Mainland Affair Committees and Housing Policy Panel of HKIS and as an Immediate Past Chairman of the Planning and Development Division. He is also a member of the Surveyors Registration Board. Sr Dr. Leung was appointed as a Director of the Company on 10 December 2012.

Ms. Pong Scarlett Oi Lan, J.P., aged 56, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. Ms. Pong is an elected District Councilor, the Chairman of The International Drug Abuse Treatment Foundation Limited and The League of Health Professionals of Hong Kong Limited. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the president of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008-2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007-2012). Ms. Pong received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007 and was appointed as a Justice of the Peace ("J.P.") by the Government of the Hong Kong Special Administrative Region in July 2010. Ms. Pong was appointed as a Director of the Company on 27 March 2008.

Directors' Report

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements for the year ended 31 December 2015.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 15 December 2015, the name of the Company was changed from "South China Land Limited 南華置地有限公司" to "South China Assets Holdings Limited 南華資產控股有限公司". The Certificate of Incorporation on Change of Name and the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company in respect of the abovementioned changes in company name were issued by the Cayman Islands Registry of Companies and the Hong Kong Companies Registry, respectively.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are property investment and development in the People's Republic of China, money lending and provision of investment advisory and asset management service.

On 18 May 2015 and 5 November 2015, the Board announced its decision to purchase South China Asset Management Limited and South China Financial Credits Limited respectively, to expand its business to money lending, provision of investment advisory and asset management services business. Other than that, there were no significant changes in the nature of the Group' principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 10 of this Annual Report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 37 to 112 of this Annual Report.

No interim dividend was paid (2014: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 113 of this Annual Report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards of the Company during the year are set out in notes 28 to 30 to the financial statements.

Save as disclosed under the section headed "Share Option Scheme" and "Employees' Share Award Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR SUPPLIERS

During the year ended 31 December 2015, aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year have the directors, their associates or any shareholder of the company (which, to the knowledge of the directors, owns more than 5% of the number of issued shares of the Company) had any interest in these major suppliers.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Cheung Choi Ngor
Richard Howard Gorges
Ng Yuk Mui Jessica (*Executive Vice Chairman*) (re-designed on 1 January 2016)
Law Albert Yu Kwan
Ng Yuk Fung Peter (ceased on 23 October 2015)

Non-executive Directors:

Ng Yuk Yeung Paul (re-designed on 1 January 2016)
David Michael Norman (ceased on 12 August 2015)

Independent Non-executive Directors:

Chan Mei Bo Mabel
Leung Tony Ka Tung
Pong Scarlett Oi Lan
Lau Lai Chiu Patrick (ceased on 10 August 2015)

In accordance with Article 116 of the Articles of Association of the Company, Mr. Law Albert Yu Kwan, Mr. Ng Yuk Yeung Paul and Ms. Chan Mei Bo Mabel will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange from each of the Independent Non-executive Directors namely, Ms. Chan Mei Bo Mabel, Sr. Dr. Leung Tony Ka Tung and Ms. Pong Scarlett Oi Lan, J.P., and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 11 to 14 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

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

As at 31 December 2015, the interests and short positions of the Directors and the chief executive 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 ("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 the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in ordinary shares of the Company (the "Shares")

Directors	**Capacity**	**Number of Shares**	**Total number of Shares**	**Approximate percentage of shareholding to total issued Shares**
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,257,190,003	64.92%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	5,925,872,490 (Note (a))		
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner		13,104,000	0.12%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner		2,602,667	0.02%

(ii) Long positions in underlying Shares

Directors	Capacity	Number of underlying Shares	Approximate percentage of shareholding to total issued Shares
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (Note (b))	0.50%
Mr. Law	Beneficial owner	55,896,000 (Note (b))	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 (Note (b))	0.75%

Notes:

(a) 5,925,872,490 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by South China Strategic Limited ("SC Strategic") and 11,192 Shares held by South China Finance And Management Limited ("SCFM"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds SC Strategic and SCFM indirectly via SCHC and SCF respectively. Bannock was a wholly-owned subsidiary of Earntrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. SCHC and SCF were owned as to approximately to 60.87% and 26.94%, respectively by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by SC Strategic, 11,192 Shares held by SCFM and the aggregate 2,238,789,644 Shares held by Bannock and Earntrade.

(b) The respective underlying Shares held by Ms. Cheung, Mr. Law and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012. For more details, please refer to note 29 to the financial statements under the section headed "Share Option Scheme".

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, 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 pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme in May 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the Scheme is unlisted. Further details of the 2012 Share Option Scheme are disclosed in note 29 to the financial statements.

No new share option was granted under the 2012 Share Option Scheme during the year ended 31 December 2015.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK$50 million for the purchase of shares in the Company and/or SCHC from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company' resources for the purposed of purchase of shares as referred to in the above. Details of the Share Award Scheme are set out in note 30 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEME

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 3.16 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the year between the Group and connected persons (as defined in the GEM Listing Rules) in which a Director has beneficial interest are set out in the section "Connected and Continuing Connected Transactions" of this report and note 35 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interest in its issued Shares at 31 December 2015 amounting to 5% or more of the Shares in issue:

Long positions in Shares

Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding to total issued Shares
Earntrade	Beneficial owner and interest of a controlled corporation	2,238,789,644 (Note (a))	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (Note (a))	9.74%
Ng Lai King Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	7,257,190,003 (Note (b))	64.92%

Notes:

(i) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.

(ii) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,872,490 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the forgoing, as at 31 December 2015, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Company, SCHC and SCF, both, being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment or development business and provision of investment advisory or asset management services.

Mr. Ng, Ms. Cheung, Mr. Gorges and Mr. Law, all being Executive Directors of the Company, are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive director of SCF. Mr. Gorges was executive director of SCF, he tendered his resignation and ceased to act as executive director of SCF with effect from 12 November 2015. Ms. Ng Yuk Mui Jessica, an Executive Director of the Company, is also the non-executive director of SCHC and the executive director of SCF with effect from 12 November 2015. Mr. Ng Yuk Fung Peter, who had resigned as an Executive Director of the Company with effect from 23 October 2015, is also an executive director of SCHC. Mr. Paul Ng, an Executive Director of the Company for the year ended 31 December 2015 and a Non-executive Director of the Company with effect from 1 January 2016, was appointed as an executive director of SCHC with effect from 1 January 2016 and resigned as an executive director of SCF on 12 November 2015.

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with its direct wholly-owned subsidiary, holds 20.19% interest in SCHC.

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Rule 17.50A(1), the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest interim report up to the date of this Annual Report are set out below:

1. Mr. Gorges resigned as an executive director of SCF on 12 November 2015.

2. Ms. Jessica Ng has been appointed as executive director of SCF with effect from 12 November 2015 and re-designated as an Executive Director and an Executive Vice Chairman of the Company with effect from 1 January 2016.

3. Mr. Ng Yuk Fung Peter resigned as an Executive Director of the Company with effect from 23 October 2015.

4. Mr. Paul Ng' monthly salary has been adjusted from HK$127,500 to HK$177,500 with effect from 1 January 2015 and increased to HK$200,000 with effect from 1 April 2015. He, an executive director of SCF up to 12 November 2015, has been re-designated as a Non-executive Director of the Company and appointed as executive director of SCHC with effect from 1 January 2016.

5. Mr. David Michael Norman resigned as a Non-executive Director of the Company from 12 August 2015.

6. Ms. Chan Mei Bo Mabel has been appointed as an independent non-executive director of Bank of Zhengzhou Co., Ltd. with effect from 18 June 2015.

7. Mr. Lau Lai Chiu Patrick resigned as an Independent Non-executive Director of the Company from 10 August 2015.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at 14 March 2016, being the latest practicable date prior to the date of this report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 35 to the financial statements.

CONNECTED TRANSACTIONS

The following transactions between certain connected parties (as defined in the GEM Listing Rules) and the Company have been entered into and/or are ongoing for which the relevant announcements, if required under Chapter 20 of the GEM Listing Rules, had been made by the Company.

(a) Pursuant to the sales and purchase agreement dated 18 May 2015, entered into between SCF and Wealth Anchor Holdings Limited ("WAHL"), a direct wholly-owned subsidiary of the Company, whereby WAHL conditionally agreed to acquire and SCF conditionally agreed to sell the entire issued share capital of South China Asset Management Limited ("SCA"), its principal activities consist of the provision of investment advisory and asset management services. The consideration, was arrived at after arm's length negotiations between SCF and WAHL, with reference to the net asset value of SCA as at 30 April 2015. The transaction was completed on 30 September 2015 and the consideration as adjusted with reference to the completion accounts made up to the completion date amounted to approximately HK$5.6 million. For more details, please refer to the joint announcements of the Company and SCF dated 18 May 2015 and 30 September 2015.

(b) Pursuant to (i) Sale Share Agreement dated 16 June 2015, entered into between Crystal Hub Limited ("Crystal Hub"), a direct wholly-owned subsidiary of the Company, Perennial Success Limited ("Purchaser A") and Profit Runner Investments Limited ("Purchaser B") whereby Crystal Hub conditionally agreed to sell to Purchaser A and Purchaser B the entire interests in Elite Empire and Bigwin, respectively, and Purchaser A and Purchaser B conditionally agreed to acquire the same from Crystal Hub; and (ii) the Sale Debts Agreement dated 16 June 2015, entered into between Crystal Hub, Purchaser A and Purchaser B whereby Crystal Hub conditionally agreed to sell to Purchaser A and Purchaser B all the loans it made to Elite Empire (and its subsidiaries) and Bigwin (and its subsidiaries), respectively, which remain outstanding immediately before completion of the relevant transactions at a total consideration not exceeding HK$1,654.1 million (subject to adjustment determined based on the completion accounts). Under the Sale Shares Agreement, SCHC and the Company shall enter into a deed of undertaking whereby SCHC shall, at the request of the Company, grant guarantee(s) in favour of the prospective lenders of any member of the Group subject to certain condition and the Company shall in return provide counter guarantees. For more details, please refer to the circular dated 4 September 2015 issued by the Company.

The completion of the abovementioned transactions took place on 7 October 2015 in accordance with the terms and conditions of the agreements. The total consideration of the transaction was satisfied by (i) applying the exercise price of the Put Option in the sum of HK$700 million payable by Crystal Hub to Purchaser A upon the exercise of such Put Option; (ii) cash payment in the sum of HK$92.85 million and (iii) as procured by Purchaser A and Purchaser B, the issue of the redeemable convertible preference shares by SCHC to Crystal Hub for the remaining balance. The consideration for Sale Shares A and Sale Share B after the adjustments for shortfall in net assets of Elite Empire and its subsidiaries and the excess in net liabilities of Bigwin and its subsidiaries amounted to approximately HK$856.9 million in total and the aggregate consideration for Sale Debt A and Sale Debt B as adjusted for the variances from the balances which Crystal Hub informed Purchaser A and Purchaser B before the completion of the transaction amounted to approximately HK$740.8 million. All the abovementioned adjustments made pursuant to the Sale Share Agreement and the Sale Debts Agreement were determined based on the completion accounts of the relevant disposal groups, which were made up to the completion date of the transactions contemplated under the Sale Share Agreement and the Sale Debts Agreement. Further details of such adjustments were set out in the joint announcement of the Company and SCHC dated 1 February 2016.

(c) Pursuant to the sales and purchase agreement dated 5 November 2015, entered into between SCF, Mr. Peter Ng and Mr. Paul Ng (collectively, the "Vendors") and Prosperous Global Holdings Limited ("PGHL"), a direct wholly-owned subsidiary of the Company, whereby the Vendors agreed to sell and PGEL agreed to purchase the entire issued share capital of South China Financial Credits Limited ("SCFC"), its principal activity, which maintains a money lenders licence, is money lending. The consideration shall be the net asset value as at 15 October 2015 which is subject to the adjustment to align the consideration so determined to the net asset value as at the date of completion. According to the latest available financial statements of SCFC, the net asset value as at 15 October 2015 amounted to HK$20.8 million. The completion of the transaction is subject to the fulfillment of conditions precedent as set out in the sale and purchase agreement. For more details, please refer to the joint announcements of the Company and SCF dated 5 November 2015 and 25 November 2015.

As at 31 December 2015, Mr. Ng, the Chairman, Executive Director and controlling shareholder of the Company, was interested 26.94% in SCF and 60.87% in SCHC.

CONTINUING CONNECTED TRANSACTIONS

During the year and up to the date of this Annual Report, the Group had the following continuing connected transaction, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

Reference is made to the circular of the Company dated 4 September 2015 (the "Circular"), regarding the very substantial and connected disposals of the entire interest in Elite Empire and Bigwin by Crystal Hub, a direct wholly-owned subsidiary of the Company, the announcement of the poll results of the EGM of the Company dated 30 September 2015 and the joint announcements of the Transactions dated 7 October 2015 and 1 February 2016 respectively. Unless otherwise defined herein, the capitalized terms used shall have the same meanings as those defined in the Circular.

Under the Sale Shares Agreement, the Vendor shall procure the Company, by entering into the Deed of Undertaking, to indemnify SCHC against all guaranteed sum (which shall not exceed HK$100 million) together with all costs and expenses (including, without limitation, interest, legal costs and recovery costs) incurred by SCHC under or by virtue of each Guarantee. Upon SCHC being notified of any claim pursuant to a Guarantee, the Company shall forthwith on demand pay to SCHC the amount of such claim and, if valid receipts are provided together with the demand for payment for the said claim, the costs and expenses incurred by SCHC in dealing with or defending such claim. In any other case, demand for payment of the costs and expenses incurred by SCHC in dealing with or defending any claim pursuant to any Guarantee shall be settled by the Company within 14 days from the day of presentation of the relevant valid receipts to the Company.

On 2 November 2015, SCHC provided a guarantee in the amount of HK$15 million to a bank in respect of a loan facility granted to a subsidiary of the Company. In return, the Company also provided a counter guarantee in the amount of HK$15 million to SCHC against the said guaranteed sum. As at 31 December 2015, the loan facility was utilized to the extent of approximately HK$7 million.

The above continuing connected transaction has been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 20.54 of the GEM Listing Rules.

The Directors confirm that the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules have been complied with by the Company.

AUDITOR

Messrs. BDO Limited, the auditor of the Group, will retire and, being eligible, will offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 15 March 2016

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") throughout the year ended 31 December 2015 except the following as stated:

Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 9 June 2015 since he had other business engagements, which deviated from code provision E.1.2.

Reference is made to the announcement of the Company dated 10 August 2015 in respect of (i) the number of Independent Non-executive Directors of the Company ("INEDs") which fell below one-third of the Board members from 10 August 2015; and (ii) the number of members of audit committee ("AC") and the remuneration and nomination committee ("RNC") of the Company which fell below the minimum number requirement from 12 August 2015. As stated on the announcement of the Company dated 22 October 2015 in respect of the resignation of Mr. Ng Yuk Fung Peter as Executive Director and the appointment of member of the AC and the RNC, following the resignation of Mr. Peter Ng, the Company has sufficient number of INEDs pursuant to Rule 5.05A of the GEM Listing Rules. Following the appointment of member of the AC and the RNC, the Company has a minimum of three members in the AC under Rule 5.28 of the GEM Listing Rules and has the composition of the RNC pursuant to terms of reference of the RNC of the Company.

Subsequent to the year ended 31 December 2015, Ms. Chan Sau Mui Juanna resigned as the Company Secretary of the Company with effect from 8 January 2016. Since then, the Company no longer complied with the requirement under Rule 5.14 of the GEM Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2015, the members of the Board were as follows:

Executive Directors:
Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung Paul (*Chief Executive Officer*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Mr. Law Albert Yu Kwan

Non-executive Director:
Ms. Ng Yuk Mui Jessica

Independent Non-executive Directors:
Ms. Pong Scarlett Oi Lan, J.P.
Sr Dr. Leung Tony Ka Tung
Ms. Chan Mei Bo Mabel

The Independent Non-executive Directors represented not less than one-third of the Board for the year ended 31 December 2015. Directors' biographies and the relevant relationships amongst them are set out in the Directors' Biographical Details on pages 11 to 14 in this Annual Report.

Mr. Lau Lai Chiu Patrick resigned as an Independent Non-executive Director on 10 August 2015. On 1 January 2016, Ms. Ng Yuk Mui Jessica was re-designated as an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company and resigned as a member of Audit Committee of the Company and Mr. Ng Yuk Yeung Paul was re-designated as a Non-executive Director of the Company and appointed as a member of the Audit Committee of the Company. The Company remained in compliance with Rule 5.05A, which requires that the Independent Non-executive Directors shall represent at least one-third of the Board, for the period from 1 January 2016 to the date of this Annual Report.

The Board composition is reviewed regularly to ensure that it has a balance of skills and experience appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to enable the Board to exercise independent judgement effectively and provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Company has also complied with the GEM Listing Rules requirement that at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy in August 2013. Under the board diversity policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of a candidate for directorship and all Board appointments are based on meritocracy. Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the diversity policy and review the same as appropriate.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

All Directors (including Non-executive Director) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association. The Board is collectively responsible for the formulation of the Group's strategy and overseeing the management of the business and affairs of the Group.

Daily operation and management of the business of the Group including, inter alia, the implementation of strategies are delegated to the Executive Committee, which comprises all Executive Directors. The Executive Directors reports its work and business decisions to the Board periodically.

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held four meetings in 2015:

	Number of Meetings Attended/Eligible to Attend
Executive Directors	
Ng Hung Sang (*Chairman*)	1/4
Ng Yuk Yeung Paul (*Chief Executive Officer*)*	3/4
Cheung Choi Ngor	3/4
Richard Howard Gorges	4/4
Law Albert Yu Kwan	4/4
Ng Yuk Fung Peter (ceased on 23 October 2015)	3/3
Non-executive Directors	
Ng Yuk Mui Jessica*	3/4
David Michael Norman (ceased on 12 August 2015)	3/3
Independent Non-executive Directors	
Chan Mei Bo Mabel	4/4
Leung Tony Ka Tung	3/4
Pong Scarlett Oi Lan	4/4
Lau Lai Chiu Patrick (ceased on 10 August 2015)	2/2

* With effect from 1 January 2016, Ms. Ng Yuk Mui Jessica has been re-designated as an Executive Director and Mr. Ng Yuk Yeung Paul has been re-designated as a Non-executive Director.

The Board meets at least four times a year. At least fourteen days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda. Agenda and Board papers are sent to all Directors at least three days before each regular Board meeting. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company.

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to seek independent professional advice at the Group's expense as they consider appropriate.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealing and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2015.

INTERNAL CONTROL

The Board has the overall responsibility for maintaining a sound and effective internal control system and reviewing the effectiveness of same. The Board assesses the effectiveness of the internal control system through the reviews performed by the Audit Committee, executive management and both internal and external auditors. Taking into account the views of the Audit Committee, the Internal Audit Department formulates audit plan periodically, agree the same with the Audit Committee and reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the internal control system. The audit plan covers the key controls of the major business units on a rotation basis. The scope of and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the internal auditors and external auditors at least twice a year.

The internal control system aims at safeguarding assets from inappropriate use and ensuring the maintenance of proper accounting records and compliance with the applicable rules and regulations. Management is primarily responsible for the design, implementation and maintenance of the internal control system, which is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Internal Audit Department may also conduct ad hoc review in light of the concerns expressed by management or the Audit Committee from time to time, if any.

The Board has reviewed the Group's internal control system for the year ended 31 December 2015. The review included considering the internal control evaluations conducted by the Audit Committee, executive management and the internal and external auditors.

The Board oversees the Company's risk management. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, facing the Group, and formulates strategies and measures to mitigate the relevant risk exposure. During the year, the Tendering Policy Manual for Property Development Projects was reviewed and addressed in the internal audit report which was presented by the Internal Audit Department to the Audit Committee and the Board for approval.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group.

The statement by the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 35 and 36 of this Annual Report.

AUDITOR'S REMUNERATION

The fees paid/payable to the auditor of the Company for the year ended 31 December 2015 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to HK$520,000 and HK$245,000, respectively. Such non-audit services consist of professional service rendered in connection with the very substantial and connected disposals transactions, and to review and report on the continuing connected transactions of the Group.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

To enhance the Directors of the changes in applicable rules and regulations and the developments in corporate governance, the Company also provides the Directors with updates on the relevant topics. In addition, the Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills.

According to the records maintained by the Company, the Directors have received the following training in the year ended 31 December 2015:

	Type of trainings	
	Attending Seminars/ Conferences and/ or Similar Events	**Reading Materials and Updates**
Executive Directors		
Ng Hung Sang (*Chairman*)		✓
Ng Yuk Yeung Paul (*Chief Executive Officer*)*		✓
Cheung Choi Ngor		✓
Richard Howard Gorges		✓
Law Albert Yu Kwan	✓	✓
Ng Yuk Fung Peter (ceased on 23 October 2015)		✓
Non-executive Directors		
Ng Yuk Mui Jessica*		✓
David Michael Norman (ceased on 12 August 2015)		✓
Independent Non-executive Directors		
Chan Mei Bo Mabel		✓
Leung Tony Ka Tung		✓
Pong Scarlett Oi Lan		✓
Lau Lai Chiu Patrick (ceased on 10 August 2015)		✓

* With effect from 1 January 2016, Ms. Ng Yuk Mui Jessica has been re-designated as an Executive Director and Mr. Ng Yuk Yeung Paul has been re-designated as a Non-executive Director.

AUDIT COMMITTEE

The Audit Committee currently consists of two Independent Non-executive Directors, namely Ms. Chan Mei Bo Mabel (Chairman of the Committee) and Ms. Pong Scarlett Oi Lan, J.P. and Mr. Ng Yuk Yeung Paul, a Non-executive Director.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company in 2015, the principal duties of the Audit Committee, which are substantially the same as the relevant code provisions in the CG Code effective in the reporting period, include overseeing the Group's financial reporting system, internal control procedures and the relationship with the Company's auditor, and reviewing the Group's financial information. The Board has also delegated the responsibility of performing corporate governance duties to the Audit Committee.

The Audit Committee held four meetings and met with the internal auditors and external twice in the year ended 31 December 2015. It has reviewed, among others, the quarterly, the half-yearly and annual results, internal audit plan, internal audit reports on internal control system, audit strategy, external auditor's report to the Audit Committee, the independence and terms of engagement of the external auditor's and corporate governance report. There were two private sessions between the Audit Committee members and the external auditor without the presence of management in the Audit Committee meetings held in 2015. The attendance records of the members of the Audit Committee at the abovementioned Audit Committee meetings are as follows:

	Number of Meetings Attended/Eligible to Attend
Chan Mei Bo Mabel	4/4
Pong Scarlett Oi Lan	4/4
Lau Lai Chiu Patrick (ceased on 10 August 2015)	3/3
David Michael Norman (ceased on 12 August 2015)	3/3
Ng Yuk Mui Jessica (appointed on 23 October 2015 and ceased on 1 January 2016)	1/1
Ng Yuk Yeung Paul (appointed on 1 January 2016)	N/A

In light of the amendments to the CG Code in relation to risk management, which came into effect for the accounting period beginning on or after 1 January 2016, the Board has delegated the responsibility of overseeing the Group's risk management system to the Audit Committee and the terms of reference of the Audit Committee has been revised accordingly. The revised terms of reference has been posted on the websites of the Stock Exchange and the Company.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It currently consists of three Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, J.P. (Chairman of the Committee), Ms. Chan Mei Bo Mabel and Sr Dr. Leung Tony Ka Tung.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Remuneration and Nomination Committee, which are substantially the same as the relevant code provisions in the CG Code, include, among others, reviewing the policy and structure for Directors' and (if any) senior management's remuneration, remuneration proposals for Directors' and (if any) senior management's remuneration, determining the remuneration packages of Executive Directors and (if any) senior management, making recommendations to the Board on the remuneration of Non-executive Directors, reviewing the structure, size and diversity of the Board, identifying suitable candidate for directorship and making recommendations to the Board on the remuneration and Director nomination matters as referred to in the terms of reference of the Remuneration and Nomination Committee.

For new appointment of Director, the Remuneration and Nomination Committee identifies and selects suitable candidates following the board diversity policy as referred to in the section "BOARD COMPOSITION AND BOARD PRACTICES" and taking into account the candidate's his/her independence and capability to devote sufficient time and commitment to the role as well as potential conflict of interests. Once the Remuneration and Nomination Committee has selected a candidate, it seeks the comments on such candidate from the Executive Committee for its consideration and approves the appointment as it thinks fit.

The Remuneration and Nomination Committee met once in the year ended 31 December 2015 to review, consider and, where appropriate, approve/make recommendation to the Board on the remuneration packages of the Directors (based on the skills, knowledge, performance and involvement in the Company's affairs of the relevant Director taking into consideration the Company's performance), the policy and structure for Directors' remuneration, the structure, size and diversity of the Board, the Director nomination policy, the independence of the Independent Non-executive Directors and the retirement and re-election of Directors. The attendance records of the members of the Remuneration and Nomination Committee at the abovementioned Remuneration and Nomination Committee meeting are as follows:

	Number of Meetings Attended/Eligible to Attend
Pong Scarlett Oi Lan	1/1
Chan Mei Bo Mabel	1/1
Lau Lai Chiu Patrick (ceased on 10 August 2015)	1/1
David Michael Norman (ceased on 12 August 2015)	1/1
Leung Tony Ka Tung (appointed on 23 October 2015)	N/A

SHAREHOLDERS' RIGHTS

The Company uses general meeting, annual report, interim report, quarterly report, announcement, circular and its website as communication tools to keep its shareholders informed of the matters of significance and latest development of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company ("AGM") allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Voting results are posted on the Company's website on the day of the AGM.

Extraordinary general meetings of the Company ("EGM") shall be convened on the requisition of any one member of the Company which is a recognised clearing house or any two or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The attendance record of the Directors at the AGM and EGMs held in 2015 is set out below:

	AGM (9 Jun 2015)	EGM (30 Sep 2015)	EGM (15 Dec 2015)
Executive Directors			
Ng Hung Sang (Chairman)	×	×	×
Ng Yuk Yeung Paul (Chief Executive Officer)*	×	✓	×
Cheung Choi Ngor	✓	×	×
Richard Howard Gorges	✓	✓	✓
Law Albert Yu Kwan	✓	✓	✓
Ng Yuk Fung Peter (ceased on 23 October 2015)	×	×	N/A
Non-executive Directors			
Ng Yuk Mui Jessica*	✓	✓	✓
David Michael Norman (ceased on 12 August 2015)	×	N/A	N/A
Independent Non-executive Directors			
Chan Mei Bo Mabel	✓	✓	✓
Leung Tony Ka Tung	✓	×	✓
Pong Scarlett Oi Lan	✓	✓	✓
Lau Lai Chiu Patrick (ceased on 10 August 2015)	✓	N/A	N/A

* With effect from 1 January 2016, Ms. Ng Yuk Mui Jessica has been re-designated as an Executive Director and Mr. Ng Yuk Yeung Paul has been re-designated as a Non-executive Director.

Independent Auditor's Report

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TO THE MEMBERS OF SOUTH CHINA ASSETS HOLDINGS LIMITED
(FORMERLY KNOWN AS SOUTH CHINA LAND LIMITED)
南華資產控股有限公司 (前稱為南華置地有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Assets Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 37 to 112, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 15 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	**556**	–
Other operating income	6	**72**	294
Gain on disposal of subsidiaries	38	**13,756**	–
Impairment loss on properties under development	8	**(13,930)**	–
Loss on disposal of available-for-sale financial assets		**(15,790)**	–
Fair value gain on financial assets at fair value through profit or loss		**2,123**	378
Fair value gain on redemption option embedded in redeemable convertible preference shares of a related company	16	**85,332**	21,658
Administrative and other operating expenses		**(22,787)**	(25,020)
Operating profit/(loss)	8	**49,332**	(2,690)
Finance costs	9	**(1,270)**	(285)
Profit/(loss) before income tax		**48,062**	(2,975)
Income tax expense	10	**–**	–
Profit/(loss) for the year attributable to equity holders of the Company		**48,062**	(2,975)
Earnings/(loss) per share attributable to equity holders of the Company for the year	11		
— Basic and diluted		**HK0.44 cent**	HK(0.03) cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year		**48,062**	(2,975)
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Release of exchange reserve upon disposal of subsidiaries	38	**(6,459)**	–
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets		**2,035**	–
Fair value gain on available-for-sale financial assets	16	**265,950**	131,161
Exchange differences on translation of financial statements of overseas subsidiaries		**(46,509)**	(30,803)
Other comprehensive income for the year, net of tax		**215,017**	100,358
Total comprehensive income for the year attributable to equity holders of the Company		**263,079**	97,383

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,229**	4,379
Goodwill	15	**16,986**	355,326
Loans receivable	17	**4,474**	–
Available-for-sale financial assets	16	**2,715,785**	1,510,435
Long term deposits	20	**208**	–
		2,738,682	1,870,140
Current assets			
Loans receivable	17	**9,644**	–
Properties under development	18	**132,568**	997,466
Financial assets at fair value through profit or loss	19	**6,217**	4,876
Deposits paid, prepayments and other receivables	20	**327,397**	779,674
Tax recoverable		**337**	352
Cash and bank balances	21	**23,332**	57,147
		499,495	1,839,515
Current liabilities			
Trade payables	22	**1,674**	1,800
Other payables, accrued expenses and receipts in advance	23	**131,373**	113,821
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	16	**54,263**	119,094
Interest-bearing bank borrowing	24	**7,000**	–
Loan from a related company	25	**75,500**	78,000
Amounts due to related companies	26	**28,777**	32,765
Loan payable	27	**–**	695,649
		298,587	1,041,129
Net current assets		**200,908**	798,386
Total assets less current liabilities		**2,939,590**	2,668,526

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Loans from shareholders	25	**455,290**	455,290
Net assets		**2,484,300**	2,213,236
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	28	**111,785**	111,785
Reserves	31	**2,372,515**	2,101,451
Total equity		**2,484,300**	2,213,236

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$'000 (note 28)	Share premium HK$'000 (note 31)	Treasury shares HK$'000 (note 31)	Capital reserve HK$'000 (note 31)	Capital contribution reserve HK$'000 (note 31)	Available-for-sale financial assets revaluation reserve HK$'000 (note 31)	Employee compensation reserve HK$'000 (note 31)	Exchange reserve HK$'000 (note 31)	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2014	111,785	771,842	(134)	6,044	291,562	4,445	3,566	100,576	838,614	2,128,300
Transactions with owners										
Recognition of equity settled share-based compensation	–	–	–	–	–	–	8,496	–	–	8,496
Purchase of shares for share award scheme	–	–	(20,943)	–	–	–	–	–	–	(20,943)
Forfeit of share awards under share award scheme	–	–	–	–	–	–	(471)	–	471	–
Vesting of share awards under share award scheme	–	–	247	–	–	–	(146)	–	(101)	–
Forfeit of share options under share option scheme	–	–	–	–	–	–	(869)	–	869	–
Transactions with owners	–	–	(20,696)	–	–	–	7,010	–	1,239	(12,447)
Comprehensive income										
Loss for the year	–	–	–	–	–	–	–	–	(2,975)	(2,975)
Other comprehensive income										
Change in fair value of available-for-sale financial assets	–	–	–	–	–	131,161	–	–	–	131,161
Exchange realignment	–	–	–	–	–	–	–	(30,803)	–	(30,803)
Total comprehensive income for the year	–	–	–	–	–	131,161	–	(30,803)	(2,975)	97,383
At 31 December 2014	111,785	771,842	(20,830)	6,044	291,562	135,606	10,576	69,773	836,878	2,213,236

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$'000 (note 28)	Share premium HK$'000 (note 31)	Treasury shares HK$'000 (note 31)	Capital reserve HK$'000 (note 31)	Capital contribution reserve HK$'000 (note 31)	Available-for-sale financial assets revaluation reserve HK$'000 (note 31)	Employee compensation reserve HK$'000 (note 31)	Exchange reserve HK$'000 (note 31)	Retained earnings HK$'000	Total equity HK$'000
At 31 December 2014 and 1 January 2015	111,785	771,842	(20,830)	6,044	291,562	135,606	10,576	69,773	836,878	2,213,236
Transactions with owners										
Recognition of equity settled share-based compensation	–	–	–	–	–	–	7,985	–	–	7,985
Vesting of share awards under share award scheme	–	–	556	–	–	–	(484)	–	(72)	–
Forfeit of share options under share option scheme	–	–	–	–	–	–	(485)	–	485	–
Transactions with owners	–	–	556	–	–	–	7,016	–	413	7,985
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	–	48,062	48,062
Other comprehensive income										
Release of exchange reserve upon disposal of subsidiaries (note 38)	–	–	–	–	–	–	–	(6,459)	–	(6,459)
Release of reserve upon disposal of available-for-sale financial assets	–	–	–	–	–	2,035	–	–	–	2,035
Change in fair value of available-for-sale financial assets (note 16)	–	–	–	–	–	265,950	–	–	–	265,950
Exchange realignment	–	–	–	–	–	–	–	(46,509)	–	(46,509)
Total comprehensive income for the year	–	–	–	–	–	267,985	–	(52,968)	48,062	263,079
At 31 December 2015	111,785	771,842	(20,274)	6,044	291,562	403,591	17,592	16,805	885,353	2,484,300

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**48,062**	(2,975)
Adjustments for:			
Interest income	6	**(18)**	(21)
Depreciation	8	**1,176**	1,187
Gain on disposal of property, plant and equipment	8	**–**	(26)
Loss on disposal of available-for-sale financial assets		**15,790**	–
Fair value gain on financial assets at fair value through profit or loss		**(2,123)**	(378)
Fair value gain on redemption option embedded in redeemable convertible preference shares of a related company	16	**(85,332)**	(21,658)
Equity settled share-based payment expenses	12	**8,410**	8,729
Impairment loss on properties under development	8	**13,930**	–
Impairment of loans receivable, net	8	**429**	–
Gain on disposal of subsidiaries	38	**(13,756)**	–
Interest expenses	9	**1,270**	285
Operating loss before working capital changes		**(12,162)**	(14,857)
Payments of properties under development	18	**(87,999)**	(116,622)
Purchase of financial assets at fair value through profit or loss		**–**	(1,821)
Increase in loans receivable		**(2,655)**	–
Increase in deposits paid, prepayments and other receivables		**(85,809)**	(87,716)
Decrease in trade payables		**–**	(17,448)
Increase/(decrease) in other payables, accrued expenses and receipts in advance		**1,443**	(5,319)
Net cash used in operating activities		**(187,182)**	(243,783)
Cash flows from investing activities			
Interest received	6	**18**	21
Net cash inflow from disposal of subsidiaries	38	**87,334**	–
Net cash outflow from acquisition of subsidiaries	37	**(5,077)**	–
Additions of property, plant and equipment	14	**(35)**	(2,393)
Proceeds from redemption of redeemable convertible preference shares		**57,250**	–
Proceeds from disposal of property, plant and equipment		**–**	52
Net cash generated from/(used in) investing activities		**139,490**	(2,320)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from financing activities			
Loan from a related company		–	300,000
Repayment to a related company		**(2,500)**	(8,783)
Advances from related companies		**19,268**	32,765
Repayments to shareholders		–	(47,000)
Loans from shareholders		–	52,030
Purchase of treasury shares		–	(20,943)
Interest paid		**(3,902)**	(20,746)
Net cash generated from financing activities		**12,866**	287,323
Net (decrease)/increase in cash and cash equivalents		**(34,826)**	41,220
Cash and cash equivalents at 1 January		**57,147**	16,355
Effect of foreign exchange rate changes		**1,011**	(428)
Cash and cash equivalents at 31 December		**23,332**	57,147
Analysis of balances of cash and cash equivalents			
– Cash and bank balances	21	**23,332**	57,147

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

South China Assets Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed at the Extraordinary General Meeting held on 15 December 2015, the name of the Company was changed from "South China Land Limited 南華置地有限公司" to "South China Assets Holdings Limited 南華資產控股有限公司". The Certificate of Incorporation on Change of Name was issued by the Cayman Islands Register of Companies.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

The consolidated financial statements on pages 37 to 112 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the board of directors on 15 March 2016.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual improvements 2011-2013 Cycle

The adoption of the above amendments had no material impact on the Group's consolidated financial statements.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 27	Equity Method in Separate Financial Statement [1]
Amendments to HKAS16 and HKAS38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle [1]
HKFRS 9 (2014)	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new or revised HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other new or revised HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's financial position or performance.

AMENDMENTS TO HKAS 1 – DISCLOSURE INITIATIVE

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

AMENDMENTS TO HKAS 27 – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

AMENDMENTS TO HKAS 16 AND HKAS 38 – CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 9 (2014) – FINANCIAL INSTRUMENTS

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 (2014) – FINANCIAL INSTRUMENTS *(Continued)*

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018.

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements have been applied to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, had impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company has been presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures have been simplified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company which are measured at fair values as explained in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation *(Continued)*

SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rending of services and the use by others of the Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Interest income from loans receivable is recognised on a time-proportion basis using the effective interest method by applying the rate discounting the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

– Bank interest income is recognised on a time-proportion basis using the effective interest method.

3.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the exchange gain or loss so arising are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separated in the exchange reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3.5 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

3.6 Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognised for non-controlling interests over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually (note 3.9).

Any excess of the Group's interest in net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the consideration transferred is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the management are determined following the Group's major product and service lines.

The Group has identified two reportable segments:

(a) "Property development" segment which is engaged in property development business in the People's Republic of China ("PRC"); and

(b) "Financial services" segment which is engaged in provision of investment advisory and asset management services and money lending business

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

3.8 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses (note 3.9). The cost of an asset comprises its purchase price and the costs directly attributable to the acquisition of items.

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

Depreciation on property, plant and equipment is provided using the straight-line method to write off the cost less their residual values over their estimated useful lives, as follows:

Leasehold improvement	3 years or over the lease term, whichever is shorter
Furniture and office equipment	4 to 5 years
Motor vehicles	5 years

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

The gain or loss arising on the disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

OPERATING LEASE CHARGES AS THE LESSEE

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made, over the term of lease. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Leasehold interests in land represent up-front payments to acquire the land use rights. Certain leasehold interests in land are included in properties under development (note 3.13).

3.11 Financial assets

The Group's financial assets are classified as loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Derecognition of financial assets occurs when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

The effective interest method is a method of calculating the amortised cost of the financial instruments and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, or where appropriate, a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are mainly financial assets held for trading and they may be designated upon initial recognition as at fair value through profit or loss. They are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale 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, they are measured at cost less any identified impairment losses.

IMPAIRMENT LOSS ON FINANCIAL ASSETS

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– granting concession to a debtor because of debtor's financial difficulty; and
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If any such evidence exists, the impairment loss is measured and recognised as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

LOANS AND RECEIVABLES

For the loans and receivables carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment for impairment.

The amount of any impairment identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss of the period in which the impairment occurs. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the estimated impairment loss increase or decrease because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. When the Group is satisfied that recovery of loans receivable is remote, the amount considered irrecoverable is written off against loans receivable directly and any amounts held in the allowance account in respect of that receivable are reversed. If a write-off is later recovered, the recovery is credited to profit or loss.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in 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.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Properties under development

Properties held under development for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease (note 3.10), capitalised depreciation of certain property, plant and equipment (note 3.8), borrowing costs capitalised (note 3.5) and aggregate cost of development, materials and constructions, wages, other direct expenses and an appropriate portion of overheads.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

3.15 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

3.16 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Pension obligations and employee benefits *(Continued)*

DEFINED CONTRIBUTION PLAN *(Continued)*

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the obligation of the Group under these plans is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

SHORT-TERM EMPLOYEE BENEFITS

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.17 Share-based employee compensation

SHARE OPTION SCHEME

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Share-based employee compensation *(Continued)*

SHARE AWARD SCHEME

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees.

For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares are awarded.

All share-based compensation is recognised as an expense in profit or loss unless if qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vest period, based on the best available estimate of the number of shard options expected to vest. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

3.18 Financial liabilities

The Group's financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Financial liabilities *(Continued)*

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

OTHER FINANCIAL LIABILITIES

Subsequent to initial recognition, other financial liabilities are measured at amortised cost, using the effective interest method. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.5).

3.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Provisions and contingent liabilities *(Continued)*

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.20 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and 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.

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Critical judgements in applying accounting policies

(I) DEPRECIATION

The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for use, in accordance with accounting policy stated in note 3.8. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(II) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

(III) ESTIMATED IMPAIRMENT OF PROPERTY DEVELOPMENT PROJECT

During the year, a subsidiary of the Group and the Company has commenced legal proceedings against relevant bureaus for damages and reliefs upon one of the Group's property development project in the PRC. The legal proceedings are still in process and under negotiation, in the opinion of the directors, relevant investment in the property development project is recoverable with reference to the legal opinion from the professional adviser.

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

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(I) FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets and financial liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

– Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
– Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and
– Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the different levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels is recognised in the period they occur.

The Group measures a number of items at fair value:

– Financial assets at fair value through profit or loss (note 19)
– Available-for-sale financial assets (note 16)
– Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company (note 16)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. REVENUE

There was no revenue recorded for the Group's property development projects for the years ended 31 December 2015 and 2014. Since the Group's property development projects are still in development stage, the Group will resume and recognise revenue upon the projects' completion and sale.

During the year, the Group has diversified into financial services related business through business combinations as set out in note 37, the revenue recorded interest income from loans receivable, accordingly.

	2015 **HK$'000**	2014 HK$'000
Interest income from loans receivable	**556**	–

6. OTHER OPERATING INCOME

	2015 HK$'000	2014 HK$'000
Bank interest income	18	21
Gain on disposal of property, plant and equipment	–	26
Sundry income	54	247
	72	294

7. SEGMENT INFORMATION

The management have identified the Group's two business segments as reportable segments as further described in note 3.7.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

For the year ended 31 December 2015

	Property development HK$'000	Financial services HK$'000	Consolidated HK$'000
Segment revenue:			
Revenue from external customers	–	556	556
Segment loss	(20,576)	(912)	(21,488)
Unallocated corporate expenses			(845)
Loss on disposal of available-for-sale financial assets			(15,790)
Fair value gain on financial assets at fair value through profit or loss			2,123
Fair value gain on redemption option embedded in redeemable convertible preference shares of a related company			85,332
Finance costs			(1,270)
Profit before income tax			48,062
Income tax expense			–
Profit for the year			48,062

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2015

	Property development HK$'000	Financial services HK$'000	Total HK$'000
Other segment information			
Additions to non-current segment assets	5	25	30
Depreciation of property, plant and equipment	(417)	(5)	(422)
Impairment on loans receivable, net	–	(429)	(429)
Impairment loss on properties under development	(13,930)	–	(13,930)

As at 31 December 2015

	Property development HK$'000	Financial services HK$'000	Consolidated HK$'000
Segment assets	481,815	34,240	516,055
Available-for-sale financial assets			2,715,785
Financial assets at fair value through profit or loss			6,217
Other corporate assets			120
Total assets			3,238,177
Segment liabilities	95,546	7,036	102,582
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company			54,263
Loans from shareholders			455,290
Other corporate liabilities			141,742
Total liabilities			753,877

7. SEGMENT INFORMATION *(Continued)*

As at 31 December 2015

The Group's non-current assets by geographical areas are presented as followings:

	2015 HK$'000
Hong Kong	459
PRC	17,756
	18,215

The Group's geographical information of revenue from external customers are not presented as the revenue for the year ended 31 December 2015 are attributable to a single geographical region, Hong Kong, and the Group did not depend on any single customer under each of the segments for the year ended 31 December 2015.

For the year ended 31 December 2014, there was only one component in the internal reporting to the Group's management as the Group is principally engaged in property development business. In addition, the revenue based on the location at which the services or goods delivered or provided, and core assets of the Group, are attributable to a single geographic region, the PRC. As such, no segment disclosures were presented for the year ended 31 December 2014.

8. OPERATING PROFIT/(LOSS)

	2015 HK$'000	2014 HK$'000
Operating profit/(loss) is arrived at after charging/(crediting):		
Auditor's remuneration		
– Audit services	520	550
– Non-audit services	245	80
	765	630
Exchange loss, net	720	578
Gain on disposal of property, plant and equipment	–	(26)
Depreciation (note 14)	1,176	1,187
Less: Depreciation capitalised in properties under development	(620)	(744)
Depreciation charged to profit or loss	556	443
Impairment of loans receivable, net (note 17)	429	–
Impairment loss on properties under development (note 18)	13,930	–
Employee benefit expense (including directors' emoluments)	49,875	77,610
Less: Employee benefit expense capitalised in properties under development	(42,685)	(67,324)
Employee benefit expense (including directors' emoluments) charged to profit or loss (note 12)	7,190	10,286
Operating leases rentals	3,309	3,724

9. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest charged on bank borrowing	**17**	–
Interest charged on loan from a related company	**3,885**	3,889
Interest charged on loans from shareholders	**22,414**	21,980
Effective interest on loan payable (note 27)	**4,351**	104,738
Total interest expenses	**30,667**	130,607
Less: Interests capitalised in properties under development (note 18)	**(29,397)**	(130,322)
	1,270	285

Interests capitalised during the year arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.00% (2014: 5.24%) to expenditures on qualifying assets incurred.

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2015 and 2014.

Taxes on income arising from subsidiaries in PRC have been calculated based on a statutory rate of 25% (2014: 25%) as determined in accordance with the relevant PRC income tax rules and regulations.

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates:

	2015 HK$'000	2014 HK$'000
Profit/(loss) before income tax	**48,062**	(2,975)
Tax at the applicable tax rates, calculated at the rates applicable to the tax jurisdiction concerned	**7,188**	(515)
Tax effect of non-deductible expenses	**5,125**	1,725
Tax effect of non-taxable income	**(16,868)**	(5,988)
Tax effect of tax losses not recognised	**4,555**	4,778
Income tax expense	**–**	–

As at 31 December 2015, the Group has estimated unused tax losses of approximately HK$87,421,000 (2014: HK$117,611,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$82,865,000 (2014: HK$68,812,000) and the remaining tax losses of approximately HK$4,556,000 (2014: HK$48,799,000) are subject to expiry period of five years.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share attributable to equity holders of the Company is based on the following data:

	2015 **HK$'000**	2014 HK$'000
Profit/(loss) for the year attributable to equity holders of the Company, used in the basic earnings/(loss) per share calculation	**48,062**	(2,975)

	2015	2014
Weighted average number of ordinary shares in issue during the year	**11,178,498,344**	11,178,498,344
Less: Weighted average number of shares held for share award scheme	**(174,104,663)**	(15,837,595)
Weighted average number of ordinary shares used in the basic earnings/(loss) per share calculation	**11,004,393,681**	11,162,660,749

Diluted earnings/(loss) per share for the years ended 31 December 2015 and 2014 are the same as the basic earnings/(loss) per share. The Company's share options have no dilution effect for the years ended 31 December 2015 and 2014 because the exercise price of the Company's share options were higher than the average market price of the share for the years.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 **HK$'000**	2014 HK$'000
Wages and salaries	**37,779**	63,945
Equity settled share-based payment expenses	**8,410**	8,729
Defined contribution plans	**3,686**	4,936
Less: Wages and salaries and pension costs capitalised in properties under development (note 8)	**(42,685)**	(67,324)
Total employee benefit expense charged to profit or loss	**7,190**	10,286
Employee benefit expense charged to profit or loss:		
Wages and salaries	**5,585**	8,603
Equity settled share-based payment expenses	**841**	873
Defined contribution plans	**764**	810
	7,190	10,286

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Included in employee benefit expense is senior management personnel compensation and comprises the following categories:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**7,434**	17,339
Bonus	**–**	5,000
Equity settled share-based payment expenses	**2,606**	2,606
Defined contribution plans	**69**	78
	10,109	25,023

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G), is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**604**	470
Other emoluments:		
Salaries, allowances and benefits in kind	**1,758**	9,640
Bonus	**–**	5,000
Equity settled share-based payment expenses	**6,082**	7,820
Defined contribution plans	**14**	29
	7,854	22,489
	8,458	22,959

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus* HK$'000	Equity settled share-based payment expenses HK$'000	Defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2015						
Executive directors						
Ng Hung Sang	–	–	–	–	–	–
Cheung Choi Ngor	–	–	–	1,738	–	1,738
Richard Howard Gorges	–	–	–	–	–	–
Law Albert Yu Kwan	–	–	–	1,738	–	1,738
Ng Yuk Yeung Paul (note i)	–	1,758	–	2,606	14	4,378
Ng Yung Fung Peter (note ii)	–	–	–	–	–	–
Non-Executive directors						
Ng Yuk Mui Jessica (note iii)	100	–	–	–	–	100
David Michael Norman (note iv)	92	–	–	–	–	92
Independent non-executive directors						
Chan Mei Bo Mabel	120	–	–	–	–	120
Leung Tony Ka Tung	120	–	–	–	–	120
Pong Scarlett Oi Lan	100	–	–	–	–	100
Lau Lai Chiu Patrick (note v)	72	–	–	–	–	72
	604	1,758	–	6,082	14	8,458

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus* HK$'000	Equity settled share-based payment expenses HK$'000	Defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2014						
Executive directors						
Ng Hung Sang	–	–	–	–	–	–
Ng Yuk Yeung Paul	–	1,530	–	2,606	17	4,153
Richard Howard Gorges	–	–	–	–	–	–
Cheung Choi Ngor	–	–	–	1,738	–	1,738
Ng Yuk Fung Peter	–	–	–	1,738	–	1,738
Ko Pak Yau William	–	8,110	5,000	–	12	13,122
Law Albert Yu Kwan	–	–	–	1,738	–	1,738
Non-Executive directors						
Ng Yuk Mui Jessica	10	–	–	–	–	10
David Michael Norman	9	–	–	–	–	9
Lo Wing Yan William	16	–	–	–	–	16
Independent non-executive directors						
Pong Scarlett Oi Lan	75	–	–	–	–	75
Leung Tony Ka Tung	120	–	–	–	–	120
Lau Lai Chiu Patrick	120	–	–	–	–	120
Chan Mei Bo Mabel	120	–	–	–	–	120
	470	9,640	5,000	7,820	29	22,959

* The directors of the Company are entitled to bonus payments which are determined on the business performance of the Group.

Notes:

(i) Subsequent to reporting date on 1 January 2016, Mr. Ng Yuk Yeung Paul has been re-designated from an executive director to a non-executive director of the Company.

(ii) Mr. Ng Yuk Fung Peter has resigned as an executive director of the Company on 23 October 2015.

(iii) Subsequent to reporting date on 1 January 2016, Ms. Ng Yuk Mui Jessica has been re-designated from a non-executive director to an executive director of the Company.

(iv) Mr. David Michael Norman has resigned as a non-executive director of the Company on 12 August 2015.

(v) Mr. Lau Lai Chiu Patrick has resigned as an independent non-executive director of the Company on 10 August 2015.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2014: two) director whose emoluments was reflected in the analysis presented above. The emoluments payable to the four (2014: three) individuals during the year who were also members of senior management of the Group are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**5,676**	7,699
Defined contribution plans	**56**	49
	5,732	7,748

Their emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	4	3

During the year ended 31 December 2015, no amount was paid by the Group to the director or the four (2014: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2014				
Cost	1,238	1,578	2,940	5,756
Accumulated depreciation	(1,196)	(475)	(814)	(2,485)
Net book amount	42	1,103	2,126	3,271
Year ended 31 December 2014				
Opening net book amount	42	1,103	2,126	3,271
Additions	361	986	1,046	2,393
Disposal				
– Cost	–	–	(94)	(94)
– Accumulated depreciation	–	–	68	68
Depreciation	(41)	(518)	(628)	(1,187)
Exchange realignment	(3)	(21)	(48)	(72)
Closing net book amount	359	1,550	2,470	4,379
At 31 December 2014 and 1 January 2015				
Cost	1,641	2,538	3,822	8,001
Accumulated depreciation	(1,282)	(988)	(1,352)	(3,622)
Net book amount	359	1,550	2,470	4,379
Year ended 31 December 2015				
Opening net book amount	359	1,550	2,470	4,379
Acquisition of subsidiaries (note 37)	–	50	–	50
Disposal of subsidiaries (note 38)	–	(188)	(1,780)	(1,968)
Additions	–	35	–	35
Depreciation	(151)	(507)	(518)	(1,176)
Exchange realignment	(3)	(31)	(57)	(91)
Closing net book amount	205	909	115	1,229
At 31 December 2015				
Cost	1,568	3,048	303	4,919
Accumulated depreciation	(1,363)	(2,139)	(188)	(3,690)
Net book amount	205	909	115	1,229

15. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2015 HK$'000	2014 HK$'000
At 1 January		
Gross and net carrying amount	355,326	355,326
For the year		
Net carrying amount at the beginning of year	355,326	355,326
Disposal of subsidiaries (note 38)	(338,000)	–
Exchange realignment	(340)	–
Net carrying amount at the end of year	16,986	355,326
At 31 December		
Gross and net carrying amount	16,986	355,326

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed five-year budget plan which represents the business cycle and strategy plan of the Group's property development segment and discount rate of 6% (2014: 7%) estimated by the management.

The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN RESPECT OF REDEMPTION OPTION EMBEDDED IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF A RELATED COMPANY

Available-for-sale financial assets represented the redeemable convertible preference shares issued by a related company which listed on the Main Board of the Stock Exchange and was designated as available-for-sale financial assets by the Group.

Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares represented the embedded derivative related to the redeemable convertible preference shares issued by a related company. The embedded derivative has economic characteristics and risks not closely related to the host contract.

The fair values of the host equity instrument element and redeemable option element as at 31 December 2015, are determined by the directors of the Company with reference to the valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

The movement of the carrying amounts of the host equity instrument element and redeemable option element for the year, is as follows:

	Host equity instrument element HK$'000	**Redeemable option element** HK$'000
Net carrying amount at 1 January 2014	1,036,694	(97,866)
Arising from financing arrangement (note 27)	342,580	(42,886)
Change in fair value		
– credited to equity	131,161	–
– charged to profit or loss	–	21,658
Net carrying amount at 31 December 2014 and 1 January 2015	1,510,435	(119,094)
Arising from disposal of subsidiaries	1,013,997	(24,092)
Redeemed during the year	(74,597)	3,591
Change in fair value		
– credited to equity	265,950	–
– charged to profit or loss	–	85,332
Net carrying amount at year end	2,715,785	(54,263)

17. LOANS RECEIVABLE

The Group's loans receivable arose from the money lending business acquired during the year. Loans receivable bear interest determined on case by case basis and have credit periods mutually agreed between the contractual parties.

	2015 HK$'000	2014 HK$'000
Loans receivable	15,521	–
Less: provision for impairment losses	(1,403)	–
	14,118	–
Less: Non-current portion	(4,474)	–
Current portion	9,644	–

The loans receivable relate to a diversified portfolio of customers and there is no significant concentration of credit risk.

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date as follows:

	2015 HK$'000	2014 HK$'000
Repayable:		
On demand	190	–
Within 3 months	3,180	–
3 months to 1 year	6,274	–
1 to 5 years	4,474	–
	14,118	–

Movements in the provision for impairment of loans receivable are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	–	–
Acquisition of subsidiaries	941	–
Impairment losses recognised (note 8)	462	–
At 31 December	1,403	–
Recovery of loans receivable written off in previous years (note 8)	33	–

17. LOANS RECEIVABLE *(Continued)*

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of approximately HK$1,131,000 and collectively impaired loans receivable of approximately HK$272,000 as at 31 December 2015 with carrying amounts before provision of approximately HK$5,798,000 and HK$9,723,000, respectively. The individually impaired loans receivable relate to customers that were in default or delinquency in payments or entered bankruptcy or other financing reorganisation and only a portion of the receivables is expected to be recovered.

The ageing analysis of the loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**9,261**	–
1-90 days past due	**132**	–
91-180 days past due	**58**	–
	9,451	–

Loans receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Except for the carrying amount of loans receivable of approximately HK$778,000, the Group does not hold any collateral or other credit enhancement over these balances in general.

18. PROPERTIES UNDER DEVELOPMENT

	2015	2014
	HK$'000	HK$'000
Leasehold interests in land located in the PRC, at cost	**21,398**	434,074
Development costs and other direct attributable expenses capitalised	**111,170**	563,392
	132,568	997,466

	2015	2014
	HK$'000	HK$'000
Balance at beginning of the year	**997,466**	765,751
Additions	**87,999**	116,622
Interest capitalised (note 9)	**29,397**	130,322
Impairment loss recognised (note 8)	**(13,930)**	–
Disposal of subsidiaries (note 38)	**(947,455)**	–
Exchange realignment	**(20,909)**	(15,229)
Balance at end of the year	**132,568**	997,466

18. PROPERTIES UNDER DEVELOPMENT *(Continued)*

During the year, the Group has assessed development status for the Group's property development projects in the PRC (the "PRC Projects"), and considered that one of the PRC Projects recorded shortfall upon its carrying amount with the recoverable amount in the properties under development (the "Shortfall"). As at reporting date, such Shortfall of approximately HK$13,930,000, in the opinion of the directors, is unlikely to be recovered and impaired accordingly.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 December 2015 and 2014 represented the listed equity securities. Fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date in an active market.

20. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Deposits paid for land use rights in the PRC	**300,578**	728,607
Prepayments	**2,409**	4,953
Other receivables and deposits paid	**24,618**	46,114
	327,605	779,674
Less: Non-current portion	**(208)**	–
Current portion	**327,397**	779,674

Other receivables were neither past due nor impaired and their carrying amounts approximate to their fair values.

21. CASH AND BANK BALANCES

Cash at banks earns interest at the floating rates based on the daily bank deposit rates.

As at 31 December 2015, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$1,847,000 (2014: HK$16,725,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The fair values of the cash at banks are not materially different from their carrying amounts because of the short maturity period on their inception.

22. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2015	2014
	HK$'000	HK$'000
91–180 days	**–**	13
Over 180 days	**1,674**	1,787
	1,674	1,800

The balances are short term in nature and hence, the directors consider that the carrying amounts of trade payables are approximate to their fair values.

23. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

	2015	2014
	HK$'000	HK$'000
Other payables	**1,941**	5,850
Accrued expenses (note)	**113,051**	90,830
Receipts in advance	**16,381**	17,141
	131,373	113,821

Note:

As at 31 December 2015, accrued expenses included accrued interest expenses on the loans from shareholders of approximately HK$112,296,000 (2014: HK$89,882,000) in respect of the loans made available to the Group. The other payables were unsecured, non-interest bearing and repayable on demand.

24. INTEREST-BEARING BANK BORROWING

	2015	2014
	HK$'000	HK$'000
Current		
Bank loan due for repayment which contain a repayment on demand clause – unsecured and guaranteed	**7,000**	–

The bank loan bears interest at floating rate of 2.5% per annum above the HIBOR, and is guaranteed by the Company and a related company. The Group's banking facilities are amounting to HK$15,000,000, of which HK$7,000,000 have been utilised at 31 December 2015.

25. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

As at 31 December 2015 and 2014, loans from shareholders are unsecured and bear interest at floating rate with reference to the prime lending rate as established from time to time by The Hongkong and Shanghai Banking Corporation Limited, except for the loans from shareholders amounted to HK$7,000,000 (2014: HK$7,000,000) which are interest free.

As at 31 December 2015, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2016. As at 31 December 2014, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2015. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2015 and 2014.

As at 31 December 2015 and 2014, loan from a related company is unsecured and bears interest at floating rate with reference to the prime lending rate as established from time to time by The Hongkong and Shanghai Banking Corporation Limited.

As at 31 December 2015 and 2014, the loan from a related company that is originally not scheduled to repay within one year, it is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayable at any time. The directors of the Company consider that the fair value of the loan is not materially different from its carrying amount as at 31 December 2015 and 2014.

26. AMOUNTS DUE TO RELATED COMPANIES

The balance of HK$28,777,000 as at 31 December 2015 represented the amounts payable to related companies in relation to the disposal of subsidiaries, as set out in note 38. The balance as at 31 December 2015 was unsecured and interest free, repayable within two months from the date on which the completion accounts of the Disposal Groups (as below-mentioned in note 38) are delivered to the Purchasers (as below-mentioned in note 38). The balance has been fully settled subsequent to the reporting date.

The balance as at 31 December 2014 was unsecured, interest free and repayable on demand.

27. LOAN PAYABLE

In February 2014, Perennial Success Limited ("Perennial"), an indirect wholly-owned subsidiary of South China Holdings Company Limited ("SCHC"), entered into the sales and purchase agreement (the "S&P Agreement") with Crystal Hub Limited (the "Vendor"/"Crystal Hub"), a direct wholly-owned subsidiary of the Company, in respect of the sale of 40% of the issued share capital (the "Sale Shares") of Elite Empire Investments Limited ("Elite Empire") at a consideration of HK$600 million, which was satisfied by (i) a refundable deposit in the sum of HK$10 million in cash; (ii) cash payment of HK$290 million made by Perennial on or before the Transaction Completion Date (as below-mentioned); and (iii) issue of redeemable convertible preference shares by SCHC to the Vendor or its nominee(s) for HK$300 million, on the Transaction Completion Date.

27. LOAN PAYABLE *(Continued)*

Under the S&P Agreement, Perennial granted to the Vendor a call option (the "Call Option") by entering into the options agreement (the "Options Agreement") to give the Vendor the right to require Perennial to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at the exercise price (i.e. HK$700 million) during the option exercisable period, the period of 15 months commencing on the first day of the tenth month from the Transaction Completion Date and expiring on the last day of the twenty-forth month from the Transaction Completion Date, both days inclusive. The Vendor also granted Perennial a put option (the "Put Option") to give Perennial the right to require the Vendor to buyback all (but not part) of the Sale Shares from Perennial subject to the terms and conditions of the Options Agreement, at the exercise price (i.e. HK$700 million) during the option exercisable period, the period of 15 months commencing on the first day of the tenth month from the Transaction Completion Date and expiring on the last day of the twenty-forth month from the Transaction Completion Date, both days inclusive.

The abovementioned transactions were completed on 11 April 2014 (the "Transaction Completion Date"). The Group had recognised (i) the sale of the Sale Shares and (ii) the grant of the Call Option by Perennial to the Vendor and the grant of the Put Option by the Vendor to Perennial at same exercise price, which was a fixed sum, and with the same option exercisable period collectively as a debt instrument. The Group had recognised the said debt instrument as a financial liability in view of, among others, the followings: (i) under the S&P Agreement, Perennial is only entitled to appoint directors to the boards of Elite Empire and its subsidiaries ("Elite Empire Group") after (1) the occurrence of any intervening event as referred to in the section headed "Management of Elite Empire Group after Completion" in the circular issued by the Company on 19 March 2014 or (2) the lapse of the Put Option and the Call Option. Furthermore, Perennial had agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the option exercisable period provided that there is no breach of the S&P Agreement and Elite Empire Group is not engaged in any business; and (ii) the Put Option and the Call Option with the fixed exercise price render Perennial's present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the Put Option and the Call Option with the same option exercisable period and the same exercise price resembles a forward contract whereby Perennial is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the exercise price on the maturity date of such forward contract. The Group had recognised the financial liability in respect of the abovementioned debt instrument at fair value on the Transaction Completion Date, which amounted to approximately HK$591 million.

As at 31 December 2014, the loan payable balance amounting to approximately HK$695,649,000, representing the financial liability of the abovementioned debt instrument, measured at amortised cost using the effective interest rate method.

The finance cost so arisen during the periods from the Transaction Completion Date to 31 December 2014, and from 1 January 2015 to 7 October 2015 (as below mentioned in note 38, the Disposal Date of a disposal transaction) for the years ended 31 December 2014 and 2015, respectively, has been capitalised as part of the cost of properties under development.

27. LOAN PAYABLE *(Continued)*

Perennial exercised the Put Option as a part of the transactions in relation to the sale of the entire interests in Elite Empire and Bigwin Investments Limited ("Bigwin") and the outstanding loans to the aforesaid companies and their subsidiaries to the indirect wholly-owned subsidiaries of SCHC, which were completed on 7 October 2015 (details of the transactions are set out in note 38). As such, the Group derecognised the financial liability of HK$700 million upon completion of such transactions.

28. SHARE CAPITAL

	2015 Number of shares	**HK$'000**	2014 Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**11,178,498,344**	**111,785**	11,178,498,344	111,785

During the year ended 31 December 2014, a subsidiary of the Company acquire 175,104,000 shares of the Company in the open market with a value of approximately HK$20,943,000. The relevant acquired shares are available for resale and have been included in the treasury shares of the Company, shown as a component of the reserves of the Company. No such transaction of share acquisition has been occurred during the year.

29. SHARE OPTION SCHEME

The 2012 Share option scheme (the "2012 Scheme")

The Company's 2012 Scheme was approved by shareholders of the Company and became effective on 8 May 2012.

Particulars of the 2012 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SCHEME

(i) Purpose of the 2012 Scheme

The purpose of the 2012 Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(ii) Participants of the 2012 Scheme

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Scheme.

(iii) Total number of Shares available for issue under the 2012 Scheme

The total number of Shares available for issue under the share options, which may be granted under the 2012 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing the resolution to adopt the 2012 Scheme.

(iv) Maximum entitlement of each participant

No Participants shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(vii) Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 28 days from the date of offer of the option.

(viii) Basis of determining the exercise price of the option

The exercise price for Shares under the 2012 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

(ix) Remaining life of the 2012 Scheme

Subject to early termination of the 2012 Scheme pursuant to the terms thereof, the 2012 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

During the year, the Company did not grant any share options under the 2012 Scheme (2014: 26,576,000).

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2015	Granted during the year	Exercise during the year	Forfeited during the year (Note i)	Cancelled during the year	Balance as at 31/12/2015	Date of grant of share option	Exercisable Periods of share options (Note ii)	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note iii) HK$	Immediately preceding the exercise date of share option (Note iv) HK$
Directors											
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Law Albert Yu Kwan	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Ng Yuk Fung Peter (resigned on 23 October 2015)	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Sub-total	251,528,000	–	–	–	–	251,528,000					

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2015	Granted during the year	Exercise during the year	Forfeited during the year (note i)	Cancelled during the year	Balance as at 31/12/2015	Date of grant of share option	Exercisable Periods of share options (Note ii)	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note iii) HK$	Immediately preceding the exercise date of share option (Note iv) HK$
Employees in aggregate	10,632,000	–	–	(10,632,000)	–	–	15/01/2014	15/01/2017 – 14/01/2024	0.188	0.168	N/A
	5,312,000	–	–	(5,312,000)	–	–	07/05/2014	28/04/2017 – 27/04/2024	0.188	0.133	N/A
Sub-total	15,944,000	–	–	(15,944,000)	–	–					
Total	267,472,000	–	–	(15,944,000)	–	251,528,000					

Notes:

(i) Mr. Ng Yuk Fung Peter has resigned as an executive director of the Company on 23 October 2015, 55,896,000 options have been reclassified as "Others" category of participant.

During the year, two employees resigned, the respective share options were forfeited during the year accordingly.

(ii) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 36 months	Nil
37th – 48th months	30%
49th – 60th months	60%
61st – 120th months	100%

(iii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

(iv) The weighted average closing price of the shares immediately before the date on which the options are exercised.

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Notes: (Continued)

(v) The fair values of share options granted under the 2012 Scheme on 1 October 2013, 15 January 2014, 28 April 2014 and 7 May 2014 and measured at the respective date of grant was approximately HK$44,289,000, HK$1,118,000, HK$848,000 and HK$400,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**1 Oct 2013**	**15 Jan 2014**	**28 Apr 2014**	**7 May 2014**
Expected volatility	54.276%	53.559%	52.875%	52.836%
Expected life (in years)	10.0	10.0	10.0	10.0
Risk free interest rate	2.049%	2.306%	2.164%	2.040%
Expected dividend yield	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(vi) During the year, employee compensation expense of HK$7,818,000 has been recognised in profit or loss (2014: HK$8,304,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2015		2014	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January	**267,472,000**	**0.188**	363,312,000	0.188
Additions	**–**	**–**	26,576,000	0.188
Forfeit	**(15,944,000)**	**0.188**	(122,416,000)	0.188
Balance at 31 December	**251,528,000**	**0.188**	267,472,000	0.188

The options outstanding at 31 December 2015 and 2014 had exercise prices of HK$0.188 and a weighted average remaining contractual life of 7 years and 8 years, respectively.

30. SHARE AWARD SCHEME

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Company shall settle a sum of up to and not exceeding HK$50,000,000 for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 18 March 2011, 5 November 2013 and 7 December 2014.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

Awards granted and vested of the Company's shares during the year ended 31 December 2015 are as follows:

Name or category of participant	**Date of grant**	**Balance as at 01/01/2015**	**Awards granted during the year**	**Aggregate Awards vested during the year**	**Aggregate Awards forfeited during the year**	**Balance as at 31/12/2015**
Employees in aggregate	28/01/2013	3,456,000	–	(3,456,000)	–	–
	23/11/2015	–	928,000	(928,000)	–	–
Total		3,456,000	928,000	(4,384,000)	–	–

30. SHARE AWARD SCHEME *(Continued)*

Awards vested and forfeited of the Company's shares during the year ended 31 December 2014 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2014	Awards granted during the year	Aggregate Awards vested during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2014
Employees in aggregate	08/10/2011	1,504,000	–	(1,504,000)	–	–
	30/03/2012	3,000,000	–	–	(3,000,000)	–
	28/01/2013	10,472,000	–	–	(7,016,000)	3,456,000
Total		14,976,000	–	(1,504,000)	(10,016,000)	3,456,000

There were 928,000 share awards granted during the year ended 31 December 2015. The fair value of the share awards granted of the Company's shares under the Share Award Scheme during the year ended 31 December 2015 is approximately HK$117,000 and measured at the date of grant. Fair value of an award at the grant date is determined by reference to the market price immediately available before the grant date. The share-based payment expenses for the Company's shares as recognised in profit or loss according to the vesting periods are approximately HK$167,000 (2014: HK$193,000) for the year ended 31 December 2015. 4,384,000 (2014: 1,504,000) shares were released under the Share Award Scheme for the year ended 31 December 2015. No shares were being forfeited during the year ended 31 December 2015 (2014: 10,016,000).

Awards vested of the other shares during the year ended 31 December 2015 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2015	Shares subdivided during the year	Aggregate Awards vested during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2015
Employees in aggregate	28/01/2013	640,000	640,000	(1,280,000)	–	–
Total		640,000	640,000	(1,280,000)	–	–

30. SHARE AWARD SCHEME *(Continued)*

Awards vested and forfeited of the other shares during the year ended 31 December 2014 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2014	Awards granted during the year	Aggregate Awards vested during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2014
Employees in aggregate	08/10/2011	464,000	–	(464,000)	–	–
	30/03/2012	520,000	–	–	(520,000)	–
	28/01/2013	640,000	–	–	–	640,000
Total		1,624,000	–	(464,000)	(520,000)	640,000

The expenses for the other shares as recognised in profit or loss are approximately HK$425,000 (2014: HK$233,000) for the year ended 31 December 2015. 1,280,000 (2014: 464,000) other shares were released under the Share Award Scheme for the year ended 31 December 2015. No other shares were being forfeited during the year ended 31 December 2015 (2014: 520,000).

31. RESERVES

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 41 to 42.

Group

TREASURY SHARES

	2015 Number of shares	**2015 HK$'000**	2014 Number of shares	2014 HK$'000
Balance brought forward	**174,203,118**	**20,830**	603,118	134
Acquired during the year	**–**	**–**	175,104,000	20,943
Vested during the year	**(4,384,000)**	**(556)**	(1,504,000)	(247)
Balance carried forward	**169,819,118**	**20,274**	174,203,118	20,830

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the awards granted under the Share Award Scheme (note 30); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

31. RESERVES *(Continued)*

Company

	Share premium	Treasury shares	Capital reserve	Capital contribution reserve	Employee compensation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	771,842	(134)	652	291,562	3,566	(123,623)	943,865
Purchase of shares for share award scheme	–	(20,943)	–	–	–	–	(20,943)
Vesting of share awards	–	247	–	–	(146)	(101)	–
Forfeit of share awards	–	–	–	–	(471)	471	–
Forfeit of share options	–	–	–	–	(869)	869	–
Recognition of equity settled share-based compensation	–	–	–	–	8,496	–	8,496
Loss for the year	–	–	–	–	–	(1,213)	(1,213)
At 31 December 2014 and 1 January 2015	771,842	(20,830)	652	291,562	10,576	(123,597)	930,205
Vesting of share awards	–	556	–	–	(484)	(72)	–
Forfeit of share options	–	–	–	–	(485)	485	–
Recognition of equity settled share-based compensation	–	–	–	–	7,985	–	7,985
Loss for the year	–	–	–	–	–	(1,466)	(1,466)
At 31 December 2015	771,842	(20,274)	652	291,562	17,592	(124,650)	936,724

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve and employee compensation reserve, which were offset by accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

32. OPERATING LEASE COMMITMENTS

(a) As lessor

As at 31 December 2015 and 2014, there are no future minimum lease receipts under non-cancellable operating leases with its tenants falling due.

(b) As lessee

As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases payments by the Group are as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**767**	2,377
In the second to fifth years, inclusive	**654**	2,232
	1,421	4,609

The Group leases certain offices under operating lease arrangements, with leases negotiated for initial terms ranging from one to three years (2014: one to three). None of the leases include contingent rentals.

33. CAPITAL COMMITMENTS

	2015	2014
	HK$'000	HK$'000
Contracted but not provided for:		
– Expenditure in respect of properties under development	**6,742**	200,645
– Expenditure in respect of leasehold interest in land	**1,125,058**	1,177,252
	1,131,800	1,377,897

34. CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group does not have any significant contingent liabilities.

35. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 37 and 38 to consolidated financial statements, during the year, the Group had significant related party transactions as follows:

(a) Details of these transactions are as follows:

	2015 HK$'000	2014 HK$'000
(i) Interest expenses charged by shareholders	**22,414**	21,980
(ii) Interest expenses charged by a related company	**3,885**	3,889

(b) The Group's banking facilities of HK$15,000,000 (note 24) were guaranteed by a related company and a counter guarantee was provided in return by the Company to the related company in relation to aforementioned banking facilities (the "Counter Guarantee"), pursuant to a deed of undertaking which is one of terms agreed in the disposal transaction as detailed in note 38. The Counter Guarantee provided by the Company to the related Company, constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rule.

(c) Details of the balances with related parties at the reporting date are included in notes 25, 26 and 27 to the consolidated financial statements.

(d) The Group shared administrative offices with related companies and incurred rental and building management fee amounted to approximately HK$3,298,000 during the year, charged on a cost-reimbursement basis.

(e) The Group purchased travel-related products from a related company of approximately HK$1,781,000 for business travelling usage during the year.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

(f) Compensation of key management personnel of the Group

Details of their remuneration are disclosed in notes 12 and 13 to the consolidated financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, loans and other receivables and cash and bank balances. The Group's financial liabilities include trade and other payables, loans from a related company and shareholders, amounts due to related companies, interest-bearing bank borrowing, loan payable and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company.

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors are stated as follows:

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Assets:		
RMB	**17,787**	60,304
United States Dollars ("US$")	**1**	5,198
	17,788	65,502
Liabilities:		
RMB	**3,820**	7,917
Net exposure to foreign currency risk	**13,968**	57,585

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contract, when and where appropriate.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the years.

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

(a) Foreign currency risk *(Continued)*

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss and equity in regards to a 5% depreciation in their functional currencies against the foreign currencies. The analysis is performed on the same basis for 2014.

	Effect on profit or loss and equity	
	2015	2014
	HK$'000	HK$'000
RMB	**698**	2,619

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest-bearing bank borrowing, loans from shareholders and a related company which bore floating interest. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

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

(b) Interest rate risk *(Continued)*

SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity of the Group's profit or loss and equity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant.

	Increase in interest rate	Effect on profit or loss and equity
	%	HK$'000
2015	**0.5**	**(181)**
2014	0.5	(21)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period. The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period. The analysis is performed on the same basis for 2014.

The same percentage decrease in interest rate would have the same magnitude on the Group's profit or loss and equity but of opposite effect, on the basis that all variables remain constant. The assumed changes have no impact on the Group's other components of equity.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The Group's policy is to deal only with creditworthy counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the receivable either individually or by group, and incorporates this information into its credit risk controls and the Group's exposure to bad debts is not significant. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

(d) Liquidity risk

Liquidity risk related to the risk that the Group will not be able to meet its obligation associated with its financial liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand	**Over 1 year**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015				
Trade payables	**1,674**	**–**	**1,674**	**1,674**
Other payables	**1,941**	**–**	**1,941**	**1,941**
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	**54,263**	**–**	**54,263**	**54,263**
Loan from a related company	**75,500**	**–**	**75,500**	**75,500**
Amounts due to related companies	**28,777**	**–**	**28,777**	**28,777**
Interest-bearing bank borrowing	**7,000**	**–**	**7,000**	**7,000**
Loans from shareholders	**–**	**477,705**	**477,705**	**455,290**
	169,155	**477,705**	**646,860**	**624,445**

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

(d) Liquidity risk *(Continued)*

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2014				
Trade payables	1,800	–	1,800	1,800
Other payables	5,850	–	5,850	5,850
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	119,094	–	119,094	119,094
Loan from a related company	78,000	–	78,000	78,000
Amounts due to related companies	32,765	–	32,765	32,765
Loan payable	700,000	–	700,000	695,649
Loans from shareholders	–	478,055	478,055	455,290
	937,509	478,055	1,415,564	1,388,448

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

(e) Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the reporting dates are categorised as follows. See notes 3.11 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

	2015	2014
	HK$'000	HK$'000
Financial assets		
Available-for-sale financial assets	**2,715,785**	1,510,435
Financial assets at fair value through profit or loss	**6,217**	4,876
Loans and receivables		
– Loans receivable	**14,118**	–
– Other receivables	**24,410**	46,114
Cash and bank balances	**23,332**	57,147
	2,783,862	1,618,572
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**1,674**	1,800
– Other payables	**1,941**	5,850
– Loan from a related company	**75,500**	78,000
– Amounts due to related companies	**28,777**	32,765
– Loans from shareholders	**455,290**	455,290
– Loan payable	**–**	695,649
– Interest-bearing bank borrowing	**7,000**	–
Financial liabilities at fair value through profit or loss		
– Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	**54,263**	119,094
	624,445	1,388,448

(f) Equity price risk

Equity price risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instrument at the end of the reporting period. The Group's listed investments and the underlying shares of derivative financial instruments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

(f) Equity price risk *(Continued)*

SENSITIVITY ANALYSIS

At 31 December 2015, it is estimated that a general increase of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the available-for-sale financial assets and derivative financial instrument, with all other variables held constant, would increase the Group's profit for the year and retained earnings by approximately HK$5,317,000 and increase of other component of equity by approximately HK$117,721,000.

A decrease of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the available-for-sale financial assets and derivative financial liabilities, with all other variables held constant, would increase the Group's profit for the year and retained earnings by approximately HK$14,794,000 and decrease of other component of equity by approximately HK$117,091,000.

The assumed changes in market prices represent management's assessment of a reasonably possible change in market prices over the next twelve month period. The analysis is performed on the same basis for 2014.

(g) Fair value measurements recognised in the consolidated statement of financial position

(I) FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The fair values of the Group's financial assets and financial liabilities not measured at fair value approximate their carrying amounts as at 31 December 2015 and 2014 because of the immediate or short-term maturity.

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

– Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

– Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

– Level 3: unobservable inputs are inputs for which market data are not available.

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	At 31 December 2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities of listed company	6,217	–	–	6,217
Available-for-sale financial assets				
– Redeemable convertible preference shares of a related company	–	–	2,715,785	2,715,785
Liabilities				
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	–	–	(54,263)	(54,263)
Net fair values	6,217	–	2,661,522	2,667,739

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

	At 31 December 2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities of listed company	4,876	–	–	4,876
Available-for-sale financial assets				
– Redeemable convertible preference shares of a related company	–	–	1,510,435	1,510,435
Liabilities				
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	–	–	(119,094)	(119,094)
Net fair value	4,876	–	1,391,341	1,396,217

There have been no transfers between different levels during the year ended 31 December 2015.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Information about level 1 fair value measurements

For the financial assets at fair value through profit or loss, the equity securities are shares of listed company and are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements

Both the available-for-sale financial assets and the financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company are denominated in HK$. Their fair values are determined using Binomial Option Pricing Model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility.

As at 31 December 2015, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's other component of equity by approximately HK$11,182,000 while a decrease in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$11,215,000 for host equity instrument classified as available-for-sale financial assets. For the redemption option embedded in redeemable convertible preference shares of a related company classified as derivative financial liabilities, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have decreased the Group's profit for the year by approximately HK$7,230,000 while a decrease in the expected volatility by 5% would have increased the Group's profit for the year by approximately HK$8,375, 000.

Significant inputs as follow:

Underlying stock price	HK$0.61 per share
Conversion price	HK$0.285 – HK$0.4 per share
Risk-free rate	1.579%
Expected volatility	70.965%
Expected dividend yield	2.257%

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

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements *(Continued)*

A reconciliation of the opening and closing fair value balances are provided as below.

	2015		2014	
	Available-for-sale financial assets HK$'000	Financial liabilities in respect of redemption option embedded HK$'000	Available-for-sale financial assets HK$'000	Financial liabilities in respect of redemption option embedded HK$'000
At 1 January	**1,510,435**	**(119,094)**	1,036,694	(97,866)
Arising from disposal of subsidiaries/ financing arrangement	**1,013,997**	**(24,092)**	342,580	(42,886)
Fair value gain recognised in other comprehensive income	**265,950**	**–**	131,161	–
Fair value gain recognised in profit or loss	**–**	**85,332**	–	21,658
Redeemed during the year	**(74,597)**	**3,591**	–	–
At 31 December	**2,715,785**	**(54,263)**	1,510,435	(119,094)
Unrealised gain recognised in profit or loss relating to the financial instrument held at the reporting date	**–**	**85,332**	–	21,658
Release of the revaluation reserve to profit or loss upon redemption of financial instrument	**2,035**	**–**	–	–

37. BUSINESS COMBINATIONS

(a) On 30 September 2015, the Group acquired the entire equity interest in South China Asset Management Limited ("SC Asset Management") from a related company of the Company at a consideration of approximately HK$5.6 million. SC Asset Management is principally engaged in the provision of investment advisory and asset management services. The acquisition enabled the Group to diversify into the financial services related business.

The fair values of identifiable assets of SC Asset Management at the date of acquisition were:

	HK$'000
Prepayments	93
Cash and bank balances	5,525
Net assets acquired	5,618
Satisfied by:	
Cash consideration	5,618
Cash flow	
Cash payment	5,618
Cash and bank balances acquired	(5,525)
Net cash outflow arising from acquisition	93

The acquisition-related costs were not material, and have been expensed and are included in administrative expenses.

No revenue has been contributed to the Group's revenue since acquisition. Since the acquisition date, SC Asset Management has recorded net loss of approximately HK$1,000 to the Group's profit or loss. If the acquisition has occurred on 1 January 2015, the Group's profit for the year would have been approximately HK$20,394,000. This 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 performance.

The transaction constituted connected transaction as defined in Chapter 20 of the GEM Listing Rule.

37. BUSINESS COMBINATIONS *(Continued)*

(b) On 25 November 2015, the Group acquired the entire equity interest in South China Financial Credits Limited ("SC Financial Credits") from a related company of the Company at a consideration of approximately HK$20.6 million. The principal activity of SC Financial Credits is money lending. The acquisition enabled the Group to diversify into the financial services related business.

The fair value of identifiable assets and liabilities of SC Financial Credits at the date of acquisition were:

	HK$'000
Property, plant and equipment	50
Deposits and prepayments	218
Loans receivable	11,892
Cash and bank balances	15,571
Interest-bearing bank borrowing	(7,000)
Other payables and accrual expenses	(176)
Net assets acquired	20,555
Satisfied by:	
Cash consideration	20,555
Cash flow	
Cash payment	20,555
Cash and bank balances acquired	(15,571)
Net cash outflow arising from acquisition	4,984

The fair value of loans receivable amounted to approximately HK$11,892,000. In the opinion of the directors, no receivable is expected to be uncollectable.

The acquisition-related costs were not material, and have been expensed and are included in administrative expenses.

Since the acquisition date, SC Financial Credits has contributed revenue of approximately HK$556,000 and a loss of approximately HK$202,000 to the Group's revenue and profit or loss, respectively. If the acquisition was occurred on 1 January 2015, the Group's revenue and profit for the year would have been approximately HK$2,929,000 and HK$18,607,000 respectively. This 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 performance.

The transaction constituted connected transaction as defined in Chapter 20 of the GEM Listing Rule.

38. DISPOSAL OF SUBSIDIARIES

Pursuant to the sale shares agreement and the sale debts agreement (collectively referred to as the "Agreements") dated 16 June 2015 entered into between Crystal Hub, an indirect wholly-owned subsidiary of the Company, and (i) Perennial and (ii) Profit Runner Investments Limited (collectively referred to as the "Purchasers"), both are indirect wholly-owned subsidiaries of SCHC, a related company of the Company. Crystal Hub had agreed to sell and the Purchasers had agreed to purchase the entire equity interests in Elite Empire and Bigwin, together with their subsidiaries (collectively the "Disposal Groups") at a total consideration of not exceeding HK$1,654.1 million (to be adjusted pursuant to the Agreements) upon and subject to the terms and conditions of the Agreements set out there in (collectively the "Disposal").

The Disposal was completed on 7 October 2015 (the "Disposal Date"). The consideration of the Disposal at the Disposal Date amounted to approximately HK$1,782.8 million, with reference to the fair value of redeemable convertible preference shares received, which has been adjusted to pursuant to the terms and condition of the Agreements, and the Group recognised a gain on disposal of subsidiaries of approximately HK$13,756,000. The transaction constituted connected transaction as defined in Chapter 20 of the GEM Listing Rule.

Please refer to the joint announcements of the Company and SCHC and circular of the Company issued on 16 June 2015, 30 September 2015 and 7 October 2015 for details of the Disposal.

Under the Agreements, the Purchasers shall procure SCHC to execute the deed of undertaking to undertake to grant guarantees in favour of the prospective lenders of any member of the Group at the request of the Company ("Guarantee") and Crystal Hub shall procure the Company to indemnify SCHC against all guaranteed sum. Upon SCHC being notified of any claim pursuant to a Guarantee, the Company shall forthwith on demand pay to SCHC the amount of such claim.

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

The aggregate net assets of Disposal Groups at the Disposal Date were as follows:

	HK$'000
Goodwill (note 15) (note (a))	338,000
Property, plant and equipment	1,968
Properties under development (note 18)	947,455
Deposits paid, prepayments and other receivables	510,959
Cash and bank balances	5,516
Trade payables	(46)
Other payables, accrued expenses and receipts in advance	(5,138)
Amounts due from the Disposal Groups	(743,822)
Amounts due to a related company	(52,033)
	1,002,859
Release of exchange reserve of the Disposal Groups upon the disposal	(6,459)
Amounts due from group companies disposed of	743,822
Shortfall in the net assets and excess in net liabilities and the difference in Sale Debts upon the completion of the Disposal (note 26) (note (b))	28,777
	1,768,999
Gain on disposal of subsidiaries	13,756
Total	1,782,755
Satisfied by:	
Cash	92,850
Loan payable (note 27)	700,000
Redeemable convertible preference shares	989,905
	1,782,755

Notes:

(a) In determining the amount of gain or loss on disposal, the Group has assessed the attributable amount of goodwill of the Disposal Groups of approximately HK$338,000,000, which have been included in the fair value of identifiable assets and liabilities.

(b) Pursuant to the Agreements, Crystal Hub shall make good to any shortfall in net assets and excess in net liabilities for the Disposal Groups at the Disposal Date, and the differences between the amounts of the relevant Sale Debts when compared to its corresponding amounts (collectively the "Difference") so informed by Crystal Hub and the amounts of same as recorded in the completion accounts of the Disposal Groups in cash on a dollar-for-dollar basis. As such, a sum of approximately HK$28,777,000 (note 26) was resulted, which was derived from the basis or calculation of the Difference, and was payable by Crystal Hub Limited within two months from the date on which the completion accounts of Disposal Groups are delivered to the Purchasers. Such payable was fully settled by Crystal Hub subsequent to the reporting date.

The Difference as referred to in the preceding paragraph largely reflects the effect of the movements of the exchange rate of RMB from 31 March 2015, the reporting period end date of the consolidated financial statements of the Disposal Groups which served as a basis of determination of the sale shares consideration, to the Disposal Date and, hence the resulting decrease in exchange reserves of the Disposal Groups.

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of net inflow of cash and bank balances in respect of the Disposal is as follows:

	HK$'000
Cash flow	
Cash consideration	92,850
Cash and bank balances disposed of	(5,516)
Net cash inflow arising from disposal	87,334

39. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

One of the subsidiaries of the Group is regulated by the Securities and Futures Commission (the "SFC") and is required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group's regulated subsidiaries are in compliance with related regulations.

39. CAPITAL MANAGEMENT *(Continued)*

The capital-to-overall financing ratio at reporting dates was as follows:

	2015 HK$'000	2014 HK$'000
Capital		
Total equity	**2,484,300**	2,213,236
Overall financing		
Loan from a related company	**75,500**	78,000
Loans from shareholders	**455,290**	455,290
Interest-bearing bank borrowing	**7,000**	–
Loan payable	**–**	695,649
	537,790	1,228,939
Capital-to-overall financing ratio	**461.9%**	180.1%

40. STATEMENT OF FINANCIAL POSITION

	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	**–**	–
Current assets		
Amounts due from subsidiaries	**1,627,071**	1,566,947
Cash and bank balances	**119**	20,060
	1,627,190	1,587,007

40. STATEMENT OF FINANCIAL POSITION *(Continued)*

	2015 HK$'000	2014 HK$'000
Current liabilities		
Other payables and accrued expenses	**87,293**	72,515
Amounts due to subsidiaries	**181,688**	162,802
	268,981	235,317
Net current assets	**1,358,209**	1,351,690
Total assets less current liabilities	**1,358,209**	1,351,690
Non-current liabilities		
Loans from shareholders	**309,700**	309,700
Net assets	**1,048,509**	1,041,990
EQUITY		
Share capital	**111,785**	111,785
Reserves	**936,724**	930,205
Total equity	**1,048,509**	1,041,990

41. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries, each of which is a limited liability company, at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particulars of issued/ paid-up capital	Effective percentage of equity interest held by the Company Directly	Indirectly	Principal activities and place of operation
Crystal Hub Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding, Hong Kong
瀋陽南華鴻泰房地產開發有限公司	The PRC	US$49,990,000	–	100%	Property development, The PRC
滄州南華房地產開發有限公司	The PRC	HK$10,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Provision of management services for the Group, Hong Kong
South China Financial Credits Limited#	Hong Kong	Ordinary shares of HK$42,125,000	–	100%	Money lending, Hong Kong
South China Asset Management Limited#	Hong Kong	Ordinary shares of HK$6,600,000	–	100%	Provision of investment advisory and asset management services, Hong Kong

The Group has acquired those subsidiaries during the year.

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

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

As at 31 December 2015 and 2014, none of the subsidiaries had issued any debt securities.

Summary of Financial Information

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**556**	–	–	48,693	5,175
Profit/(loss) from operations	**49,332**	(2,690)	283,272	62,225	53,002
Finance costs	**(1,270)**	(285)	(1,865)	(45,969)	(39,374)
Profit/(loss) before taxation	**48,062**	(2,975)	281,407	16,256	13,628
Income tax expense	**–**	–	–	(10,784)	(21,695)
Profit/(loss) for the year	**48,062**	(2,975)	281,407	5,472	(8,067)
Profit/(loss) attributable to					
Equity holders of the Company	**48,062**	(2,975)	281,744	2,020	(9,721)
Non-controlling interests	**–**	–	(337)	3,452	1,654
	48,062	(2,975)	281,407	5,472	(8,067)
Assets and liabilities and non-controlling interests					
Total assets	**3,238,177**	3,709,655	2,888,710	4,640,389	4,211,325
Total liabilities	**(753,877)**	(1,496,419)	(760,410)	(2,345,605)	(1,924,406)
Non-controlling interests	**–**	–	–	(367,284)	(363,447)
	2,484,300	2,213,236	2,128,300	1,927,500	1,923,472

Details of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Huanghua New City property development project	Commercial/ retail	Main contract work has been commenced	2017	100%	45,000 sq.m.	32,336 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2017	70%	9,956 sq.m.	6,147 sq.m