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DOWELL PROPERTY HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 668

Annual Report

2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Mr. Lo Siu Yu, *Chairman*
Ms. Luo Shaoying, *Vice Chairman*
Dr. Chen Yang, *Chief Executive Officer*

Non-executive directors
Mr. Wang Xiaobo
Mr. Qin Hong

Independent non-executive directors
Mr. Chan Ying Kay
Dr. Zhu Wenhui
Mr. Wang Jin Ling

AUDIT COMMITTEE

Mr. Chan Ying Kay, *Committee Chairman*
Dr. Zhu Wenhui
Mr. Wang Jin Ling

REMUNERATION COMMITTEE

Dr. Zhu Wenhui, *Committee Chairman*
Mr. Chan Ying Kay
Mr. Wang Jin Ling

NOMINATION COMMITTEE

Mr. Lo Siu Yu, *Committee Chairman*
Mr. Chan Ying Kay
Dr. Zhu Wenhui

COMPANY SECRETARY

Mr. Cho Chun Wai

AUTHORISED REPRESENTATIVES

Mr. Lo Siu Yu
Dr. Chen Yang
Mr. Cho Chun Wai (alternative authorised representative)

REGISTERED OFFICE

Suites 2009-2010, 20/F, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2596 0668
Fax: (852) 2511 0318
E-mail: enquiry@dowellproperty.com

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co., Ltd.
China Everbright Bank

SOLICITORS

Mason Ching & Associates

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

STOCK CODE

668

WEBSITE

http://www.dowellproperty.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors ("Director"), I hereby present the annual report of Dowell Property Holdings Limited ("Dowell Property" or the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015.

MARKET AND BUSINESS REVIEW

In 2015, the overall economic environment of China contained a number of uncertainties. The continued slowdown of economic growth exerted pressure on the business of enterprises. The Group maintained a steady business strategy and facilitated improvement of our results through developing financial leasing services, improving property investment services and seeking appropriate long-term investment projects.

In September 2015, the General Office of the State Council of the People's Republic of China published the "Guiding Opinions of the General Office of the State Council of the People's Republic of China on Accelerating the Development of Financial Leasing Industry", by which it generally and systematically deployed the acceleration of development of the financial leasing industry, aiming at putting the financial leasing market among the top of the world in terms of size and competency by 2020. During the year, the Group continued to commit to the development of financial leasing services. In March 2015, the Group further invested on Dongkui Financial Leasing and the registered capital of Dongkui Financial Leasing was increased accordingly. Dongkui Financial Leasing has been proactively looking for suitable clients since its establishment, and expanding its business network to strive for more opportunities. Dongkui Financial Leasing currently has more than 10 equipment leaseback projects in negotiation.

In terms of property investments, in order to control the fall of rental income from Dong Dong Mall, the Group carried out a massive general renovation project for Dong Dong Mall and took an active role to attract quality tenants during the second half of 2015.

Under the principle of prudent investment, the Company has always been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. In June 2015, the Company acquired Sol Chip Limited ("Sol Chip"), which is an Israeli solar energy technology company with extensive experience in the semiconductor industry, and is the supplier of Internet of Things ("IoT") system and energy access solutions as well, which mainly sells sustainable solar batteries and related system solutions. The design and technology of Sol Chip are unique and leading-edge, which include the maintaining of eternal solar batteries for IoT and its communication platform etc.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of our staff for their hard work and dedication. I would also like to thank our clients and business partners for their continued trust, as well as you, our shareholders, for your constant support.

Lo Siu Yu
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

FINANCIAL HIGHLIGHT

The results of the Group are summarized as follows:

	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Income from continuing operations	30,361	16,569
Operating loss	(46,466)	(66,636)
Finance income – net	12,588	25,379
Share of loss of an associate	(2,667)	–
Loss before income tax	(36,545)	(41,257)
Income tax (expense)/credit	(4,053)	437
Loss from continuing operations	(40,598)	(40,820)
Discontinued operation		
Profit from discontinued operation	–	3,033
Loss for the year	(40,598)	(37,787)

The assets and liabilities as at 31 December of the Group are summarized as follows:

	2015 HK$'000	2014 HK$'000
Non-current assets	503,581	453,948
Current assets	873,498	749,024
Current liabilities	(87,907)	(49,707)
Non-current liabilities	(356,979)	(150,013)
Equity attributable to equity shareholders	735,965	795,107

BUSINESS REVIEW

For the year ended 31 December 2015, the Group recorded revenue of HK$30.4 million from continuing operations (2014: HK$16.6 million), representing an increase of 83.1%. The loss attributable to equity holders of the Company for the year is HK$38.0 million (2014: HK$29.8 million).

The loss is mainly attributable to the deficit on valuation of an investment property and the depreciation of Renminbi ("RMB") in 2015.

Dongkui Business

Dongkui Financial Leasing (Shanghai) Co., Ltd. ("Dongkui Financial Leasing"), a subsidiary of which 77.58% equity interest is owned by the Company, is mainly engaged in financial leasing services. It is also engaged in cash management services, such as advance short-term loans via entrusted banks to third party customers. Upon completion of the capital increase in the second quarter of 2015 by the Group, the registered capital of Dongkui Financial Leasing was raised to US$51.30 million (equivalent to HK$400.1 million) and the Group's shareholding in Dongkui has increased from 58.93% to 77.58%.

Dongkui Financial Leasing will continue to select projects with relatively reliable grading, sufficient security and controllable risks through assessment of profit, financial and credit status of enterprises. During the year, Dongkui Financial Leasing carried out medical equipment leaseback services for five hospitals, with loan amounts of RMB20 million (equivalent to HK$23.9 million), RMB35 million (equivalent to HK$41.8 million), RMB10 million (equivalent to HK$11.9 million), RMB 15 million (equivalent to HK$17.9 million), and RMB40 million (equivalent to HK$47.7 million) respectively. Dongkui Financial Leasing also entered into individual consultant agreements on financial leasing with 11 companies respectively, with income recorded by the Group amounted to RMB6.9 million (equivalent to HK$8.5 million). The effective interest rate of each project ranges from 10.0% to 16.0%, and the interest rate of bank loan facilities is between 5.0% and 5.5%.

Property Investment

Chongqing Baoxu Commercial Property Management Limited ("Chongqing Baoxu"), a subsidiary of which 70% equity interest is owned by the Company, is principally engaged in the investment holding of Dong Dong Mall, a shopping arcade for commercial use and located at No. 2, Second Lane, Nanping East Road, Nanan District, Chongqing, the People's Republic of China ("PRC") with a total gross floor area of 18,043.45 square meters. Dong Dong Mall is adjacent to a main pedestrian street and a number of shopping malls.

However, due to the increased supply of shopping malls within the region as well as the impact of gradual popularization of electronic business, the rental income of Dong Dong Mall declined. In order to increase the attraction of the shopping mall and rebound its rental income, Dong Dong Mall finished its substantial overall renovation project during the second half of 2015, with a total project cost of approximately RMB 8.8 million (equivalent to HK$10.5 million).

For the year ended 31 December 2015, the Group's property investment segment has contributed revenue of approximately HK$7.1 million (2014: HK$15.8 million), representing a decrease of 55.1%. Due to the constant fall of rental income from properties, the fair value of property investment dropped accordingly, causing a loss of HK$27.6 million (2014: HK$34.5 million). Therefore, this segment recorded a loss before tax of HK$26.4 million for the year ended 31 December 2015 (2014: HK$29.2 million).

Long-term Investment – Technology Company

On 8 June 2015, the Company signed a share purchase agreement (the "Purchase Agreement") with Sol Chip Limited* ("Sol Chip") through its wholly-owned subsidiary, Super Dynasty Investment Limited (a company incorporated in Hong Kong with limited liability) ("Super Dynasty"). According to the Purchase Agreement, Super Dynasty invested US$4 million (equivalent to approximately HK$31.2 million) to participate in the financing of the Preferred B-1 Shares of Sol Chip and purchased 27.78% of the equity interest of Sol Chip. Since Sol Chip is still in its initial stage of business, additional time is needed for relevant investments to produce gains.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Others

On 11 November 2015, the Company and Chongqing Baoxu have respectively entered into loan agreements with Chongqing Doyen Holdings Group Co ("Chongqing Doyen"), a company established in the PRC and wholly-owned by Mr. Lo Siu Yu ("Mr. Lo", Chairman, Executive Director and Controlling Shareholder of the Company), pursuant to which the Company and Chongqing Baoxu have advanced loans in the amount of RMB340 million (equivalent to approximately HK$405.6 million). It is expected that the Group will receive substantial interest income in 2016 as a result of such transaction.

PROSPECTS

The Company has always been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. Meanwhile, before finding investment opportunities with good potential, the Company will seize any opportunity to make short-term investment with low risks in order to bring higher rewards for shareholders.

Dongkui Business

Since the PRC Government is generally and systematically deploying acceleration of the development of financial leasing industry, the Company believes China's financial leasing industry will continue to rapidly develop under support of the state policy. The Company is fully confident about the prospect of the financial leasing industry and will continue to commit to the development of financial leasing services.

In September 2015, the General Office of the State Council of the PRC published the "*Guiding Opinions of the General Office of the State Council of the People's Republic of China on Accelerating the Development of Financial Leasing Industry*", by which it generally and systematically deployed the acceleration of development of the financial leasing industry, aiming at putting the financial leasing market among the top of the world in terms of size and competency by 2020.

During the year, the Group continued to commit to the development of financial leasing services. Dongkui Financial Leasing has been proactively looking for suitable clients since its establishment, and expanding its business network to strive for more opportunities. Dongkui Financial Leasing currently has more than 10 equipment leaseback projects in negotiation, mainly from hospitals.

Property Investment

As the Internet and other information technologies popularize, online shopping has become a mainstream shopping practice of Chinese consumers. As a result, online shopping caused tremendous impact on the traditional general merchandise transactions for its lower costs and competitive prices. In order to control the fall of rental incomes from Dong Dong Mall, the Group carried out a massive general renovation for Dong Dong Mall during the second half of 2015. The rental incomes from Dong Dong Mall are expected to rebound from the bottom from 2016 onwards.

Long-term Investment – Technology Company

The investment project of Sol Chip acquired by the Company in June 2015 is an Israeli solar energy technology company with extensive experience in the semiconductor industry. It is also a provider of the Internet of Things ("IoT") and energy access programs, mainly engaged in sales of sustainable solar battery and relevant systematic solution plans. The designs and technologies of Sol Chip are both unique and advanced, including sustainable solar battery used to maintain the IoT and communication platform of the IoT. Products of Sol Chip are applicable to a variety of commercial options, including family automation, smart city and precision agriculture, among which the most direct and effective field of application is the IoT, especially agricultural IoT, which is a fast growing industry with the most promising potential in China.

Long-term Investment – Technology Company *(continued)*
江蘇農華智慧農業科技股份有限公司(Jiangsu Nonghua Intelligent Agriculture Technology Co., Ltd.*) ("NH Intelligent") (a company wholly-owned by Mr. Lo Siu Yu, the chairman of the Company, and his spouse) targets at becoming a comprehensive agricultural service provider, and currently owns three platforms including Nongyi cloud, agricultural products traceability as well as agriculture IoT, and its business will involve agricultural informatisation and IoT applications. In addition, NH Intelligent holds 60% equity interest in上海農易信息技術有限公司("Shanghai Nongyi Information Technology Co., Ltd.*) ("Shanghai Nongyi"). Shanghai Nongyi primarily engages in software development of agricultural farming informatisation, systems integration and information service and other aspects, wherein some products have been already applied and promoted across the country, including agricultural comprehensive service information inquiry system, agricultural safety traceability platform, agricultural e-commerce platform, integrated management platform for agriculture IoT and others.

After Super Dynasty's successful purchase of shareholding in Sol Chip, it will start cooperating with Shanghai Nongyi and NH Intelligent to fulfill the advantages complementation, and strive to provide a variety of advanced agricultural equipment and agricultural informatisation services for agriculture, rural areas and farmers to make Sol Chip an excellent agricultural IoT enterprise. Should relevant cooperation constitutes a connected transaction in the future, the Company will make an announcement in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

FINANCIAL REVIEW

Liquidity and Financial Resources

With a loan of RMB 360 million advanced to Chongqing Doyen in January 2015, the Group had cash and cash equivalents of approximately HK$213.2 million as at 31 December 2015 (2014: HK$217.3 million). The management believes that the Group has sufficient cash and cash equivalents to fund its operations and future development. As of 31 December 2015, the current ratio of the Group, representing current assets divided by current liabilities, was 9.9 (2014: 15.1).

As of 31 December 2015, the gearing ratio of the Group is 0.44 (2014: 0.17), which is calculated as total debt divided by total capital. Total debt is calculated as total borrowings, including current and non-current borrowings as shown in the consolidated statement of financial position. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As of 31 December 2015, the Group's total borrowings exceeded cash and cash equivalents by HK$193.9 million (2014: cash and cash equivalents exceeded total borrowings by HK$41.9 million).

Capital Structure

As of 31 December 2015, the Group's current and non-current borrowings and finance lease liabilities amounted to HK$50.2 million (2014: HK$25.4 million) and HK$357.0 million (2014: HK$150.0 million) respectively. All the bank borrowings bore interest at floating rates while the bond and finance lease liabilities bore interest at fixed rates.

The Group did not use any derivative to hedge its exposure to interest rate risks for the years ended 31 December 2015 and 2014. The Group monitors its capital by maintaining a sufficient net cash position to satisfy its commitments and working capital requirements.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Pledge of Assets

As of 31 December 2015, the Group pledged its investment property with a carrying amount of approximately HK$351.9 million (2014: HK$389.7 million) to secure loans and general banking facilities granted to the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in local currencies. The Group's foreign exchange risk primarily arises from the Group's investments in Chongqing Baoxu and Dongkui Financial Leasing which are denominated in RMB. Currency exposure arising from the net assets of such operations is managed primarily through borrowings denominated in RMB.

Currently, the Group does not use any derivative financial instrument to hedge its exposure to foreign exchange risks.

Commitments

As of 31 December 2015, the Group had no capital commitment (2014: Same). As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases for properties amounted to HK$1.0 million (2014: HK$3.1 million).

Contingent Liabilities

The Group had no significant contingent liability as at 31 December 2015 and 2014.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Same).

Save as disclosed above, there has been no event to cause material impact on the Group from 31 December 2015 to the date of this report that should be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 50 (2014: 50) full-time employees. Employees' remuneration packages are determined with reference to prevailing market practices and individual performance. Our remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical insurance plans and retirement benefit schemes. Discretionary bonus and share options may be granted to eligible employees based on the performance of the Group and individual employees.

The Company encourages its employees to enhance their competence, and also provides training to improve staff working capabilities and creates opportunities for long-term growth of employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Siu Yu, aged 46, was appointed as the Chairman and an executive Director of the Company in October 2009. Mr. Lo possesses over 10 years of experience in the sale of automobile accessories and properties investment. He was the founder and is currently the chairman and general manager of Chongqing Doyen, a private company established under the laws of the PRC with limited liability. Mr. Lo and his spouse were the ultimate beneficial owners of Chongqing Doyen as at the date of this report. Chongqing Doyen is principally engaged in investment holding, and its subsidiaries are principally engaged in special vehicle manufacturing, machine manufacturing, property investment and development. As at the date of this report, Chongqing Doyen is beneficially interested in approximately 37.37% of the issued share capital of 重慶市迪馬實業股份有限公司 (Chongqing Dima Industry Company Limited*) ("Chongqing Dima"), a company listed on the Shanghai Stock Exchange of the PRC, and approximately 26.06% of the issued share capital of 江蘇農華智慧農業科技股份有限公司 (Jiangsu Nonghua Intelligent Agriculture Technology Company Limited*) ("Intelligent Agriculture"), a company listed on the Shenzhen Stock Exchange of the PRC. Mr. Lo holds a degree of Economics from 重慶工商大學 (Chongqing Technology and Business University) (formerly known as 渝州大學 (Yuzhou University)) in Chongqing City, the PRC.

Ms. Luo Shaoying, aged 42, was appointed as the Vice Chairman and an executive Director of the Company in December 2012. Ms. Luo obtained her bachelor's degree in business administration from University of Georgia, the United States of America in 1998. Ms. Luo has 15 years of working experience in finance and property development in the PRC. Ms. Luo is the sister of Mr. Lo Siu Yu. In 2000, Ms. Luo joined an investment bank in the PRC as business director. Since 2003, Ms. Luo has joined Chongqing Doyen as a manager, a chief executive officer and the chairman of the board of directors of certain subsidiaries of Chongqing Doyen and has been responsible for investment and property development business. Ms. Luo is a director of Chongqing Baoxu, a subsidiary of which 70% equity interest is owned by the Company. In April 2013, Ms. Luo resigned as a director of Chongqing Dima, a company listed on the Shanghai Stock Exchange of the PRC.

Dr. Chen Yang, aged 35, was appointed as the Chief Executive Officer and an executive Director of the Company in October 2009. Dr. Chen has extensive experience in corporate management, investment and financing operation as well as multi-national commerce. He was an executive director of BEP International Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from October 2007 to May 2009. He had also been an analyst at The World Bank in Washington D.C., the United States of America. Before that, Dr. Chen had been working with several investment banks, private equity funds, giant corporations and investment institutes in China. Dr. Chen obtained a Bachelor of Arts degree from Nanjing University in July 2002, a master degree in public administration from Columbia University, the United States of America in October 2006, and a doctorate degree in Business and Administration from The Hong Kong Polytechnic University in March 2016. He is now a director of Dongkui Financial Leasing.

NON-EXECUTIVE DIRECTORS

Mr. Wang Xiaobo, aged 46, was appointed as a non-executive Director of the Company in October 2010. He graduated from the department of Management Engineering of 四川輕化工學院 (Sichuan Institute of Light Industry*) in 1993 with a certificate in Finance and Accounting. He has obtained qualifications as a Certified Public Accountant, Registered Tax Agent, Certified Public Valuer and Qualified Cost Engineer. He completed a programme in Executive Master of Professional Accountancy and was admitted to the Degree of Master of Professional Accountancy at The Chinese University of Hong Kong in 2007. He has worked as an audit manager, cost engineering manager and financial officer in several accounting firms in Chongqing, the PRC. He joined Chongqing Doyen in September 2003 and is currently the chairman, director and manager of the subsidiaries of Chongqing Doyen Group. He is the chairman and a director of Dongkui Financial Leasing.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Qin Hong, aged 50, was appointed as a non-executive Director of the Company in October 2010. Mr. Qin is an economist. He was awarded a Qualification Certificate of Specialty and Technology in Finance and Economics (intermediate level) by the Ministry of Personnel, the PRC in 1994 and graduated from 南京師範大學 (Nanjing Normal University) with a bachelor degree in Chinese Language and Literature in 2006. Mr. Qin has worked for several banks in the PRC, including Bank of Communications and Huaxia Bank. He is now the general manager of 江蘇華西同誠投資控股集團有限公司 (Jiangsu Huaxi Tongcheng group Investment & Holding Co., Ltd.*) and a director of 江蘇華西集團財務有限公司 (Jiangsu Huaxi Group Finance Co., Ltd*), an indirect subsidiary of 江蘇華西集團公司 (Jiangsu Huaxi Group Company*) ("Huaxi Group"), a company incorporated in the PRC with limited liability. One of the subsidiaries of Huaxi Group, Baoli International (Hong Kong) Trading Co., Limited, a company incorporated in Hong Kong with limited liability, is a substantial shareholder of the Company. He is a director of Chongqing Baoxu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ying Kay, aged 52, was appointed as an independent non-executive Director of the Company in October 2009. Mr. Chan is the company secretary and the chief financial officer of Beautiful China Holdings Company Limited ("Beautiful China"), a company listed on the main board of the Stock Exchange. He is responsible for the financial management, corporate finance and company secretarial matters of Beautiful China. Mr. Chan joined Beautiful China in April 2003 and has over 20 years of experience in accounting and finance. Before joining Beautiful China, he was an executive director and the company secretary of Bestway International Holdings Limited, a company listed on the Main Board of the Stock Exchange. In March 2013, he resigned as an independent non-executive director of China Environmental Energy Investment Limited, a company listed on the main board of the Stock Exchange. Mr. Chan graduated from the University of Sheffield with a Master of Business Administration, and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wang Jin Ling, aged 77, was appointed as an independent non-executive Director of the Company in October 2009. Mr. Wang was qualified as a senior engineer by 煤炭工業部 (The Ministry of Coal Industry) of the PRC in 1995, and was appointed as the chief engineer at 義馬礦務局 (Yima Mining Bureau*) of the 中國統配煤礦總公司 (China National Coal Corporation*) in Henan Province, the PRC in 1991. Mr. Wang was invited to act as the technical consultant of 永煤集團股份公司 (Yongmei Group Company Limited) in 2000.

Dr. Zhu Wenhui, aged 46, was appointed as an independent non-executive Director of the Company in December 2011. Dr. Zhu is the holder of a Doctorate Degree in Economics from the People's University of China and now a commentator on financial and current affairs for Hong Kong Phoenix TV. He is also a senior research officer of the Bauhinia Foundation Research Centre and a part-time research fellow of the China Business Centre under the Hong Kong Polytechnic University. He was a researcher of the Centre for Northeast Asia Policy Studies under the Brookings Institution, a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administration Region, an advisor to the Advisory Committee for the Co-operation between Guangzhou, Hong Kong and Macau (廣東省粵港澳合作諮詢委員會顧問), a council member of China Development Institute (綜合開發研究院) in Shenzhen, China. He also acted as the advisor to various local governments in China and several Hong Kong companies. He was an independent non-executive director of Shandong Jintai Group Company Limited, a company listed on the Shanghai Stock Exchange of the PRC, for the period from July 2007 to June 2010. He is experienced in the research on the structural change of industries in global economies, the economic and business development in East Asia, the open door policy adopted by China, the regional economic development of China, the economic integration between the Mainland, Taiwan and Hong Kong.

SENIOR MANAGEMENT

Financial Controller and Company Secretary

Mr. Cho Chun Wai, aged 39, joined the Group in 2012 and was appointed as a company secretary in February 2015. He holds a master degree of corporate finance awarded from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in financial management for listed companies.

* For identification purpose only

REPORT OF THE DIRECTORS

The Board submits their report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and its subsidiaries are principally engaged in property investment and financial leasing for the year ended 31 December 2015.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2015 are set out in Note 29 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (31 December 2014: Same).

RESERVES

Movements in the reserves of the Group and of the Company during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on page 34 and Note 38 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company has no distributable reserve as at 31 December 2015 and 31 December 2014.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 24 to the consolidated financial statements.

WARRANT

On 14 August 2015, an extraordinary general meeting was held to approve the issue of 20,000,000 unlisted warrants to Haitong International Finance Company Limited. The exercise price of the warrants is HK$0.6975. Upon full exercise of the warrants, a maximum of 20,000,000 warrant shares will be issued, representing (i) approximately 1.570% of the Company's issued share capital of 1,274,038,550 shares; and (ii) approximately 1.546% of the Company's issued share capital as enlarged by the issue of the warrant shares. For details, please refer to the circular of the Company dated 29 July 2015.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the articles of association of the Company, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of the movements in investment property of the Group are set out in Note 15 to the consolidated financial statements.

REPORT OF THE DIRECTORS

BORROWINGS

Details of the borrowings of the Group as at 31 December 2015 are set out in Note 26 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 92 of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2015.

DIRECTORS

The Directors of the Company as at the date of this report and those who were in office during the year are:

Executive Directors
Mr. Lo Siu Yu, *Chairman*
Ms. Luo Shaoying, *Vice Chairman*
Dr. Chen Yang, *Chief Executive Officer*

Non-executive Directors
Mr. Wang Xiaobo
Mr. Qin Hong

Independent non-executive Directors
Mr. Chan Ying Kay
Dr. Zhu Wenhui
Mr. Wang Jin Ling

In accordance with Articles 77 to 79 of the Articles of Association, Mr. Lo Siu Yu, Mr. Qin Hong and Mr. Wang Jin Ling will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Two executive Directors have entered into service contracts with the Company on 15 October 2009, another one executive Director has entered into service contracts with the Company on 30 November 2012, and such contracts will continue unless and until they are terminated by either party by prior written notice.

The appointment letters entered into between the Company and each of the non-executive Directors of the Company (excluding the Independent Non-executive Directors) on 15 October 2010 is without fixed terms of office, and such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letters entered into between the Company and Mr. Chan Ying Kay, Mr. Wang Jin Ling (both on 13 October 2015) and Dr. Zhu Wenhui (on 31 December 2015), all being the independent non-executive Directors of the Company, are for a fixed term of one year, and renewable annually upon expiry, unless and until terminated by either party by a prior written notice.

Save as disclosed above, no Director of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers they are independent.

DIRECTORS' REMUNERATIONS

A summary of the Directors' remuneration is set out in Note 7 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 36 to the consolidated financial statements on related-party transactions, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2015 or at any time during the year ended 31 December 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 December 2015, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

Long positions of the Directors' interests in the shares and underlying shares of the Company:

Name of director	Capacity	Corporate interest	Personal interest	Interests in underlying share pursuant to share options	Total number of shares interested	Approximate percentage of the Company's issued shares
Mr. Lo Siu Yu	Interest of controlled corporation and beneficial owner	755,013,018 (Note a)	25,000,000 (Note b)	–	780,031,018	61.22%
Dr. Chen Yang	Beneficial owner	–	–	3,000,000	3,000,000	0.24%
Mr. Wang Xiaobo	Beneficial owner	–	–	2,850,000	2,850,000	0.22%
Mr. Qin Hong	Beneficial owner	–	–	2,100,000	2,100,000	0.16%
Dr. Zhu Wenhui	Beneficial owner	–	10,000	–	10,000	0.00%

Notes:

a. 665,013,018 shares were held by Money Success Limited, a company wholly-owned by Wealthy In Investments Limited, which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult Asia Limited and 30,000,000 shares were held by Full Brilliant Limited, both are companies wholly-owned by Money Success Limited.

b. Such interests are held jointly with Ms. Chiu Kit Hung, the spouse of Mr. Lo.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION ***(CONTINUED)***

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under such provisions of the SFO); or pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY

In the annual general meeting held on 11 September 2008, the then shareholders approved the adoption of a new share option scheme (the "2008 Scheme") in place of the old share option scheme. The following disclosure is a summary of the 2008 Scheme as required by Chapter 17 of the Listing Rules.

1. Purpose:
   The 2008 Scheme will provide incentives and rewards to eligible persons who have contributed or will contribute to the growth and development of the Group.

2. Participants:
   The Board may at its absolute discretion, invite any employee, officer, manager, director, consultant, associates, chief executive or substantial shareholders of the Group to subscribe for shares of the Company.

3. Total number of shares available for issue under the 2008 Scheme and percentage of issued share capital at the date of approval of the share option scheme:
   The number of shares which can be issued is 34,543,855 shares representing 10% of the issued share capital of the Company at the date of approval of the 2008 Scheme. As at the date of this report, the total number of share options that can be granted was 18,343,855, representing 1.44% of the issued share capital of the Company. The total number of shares available for issue under the 2008 Scheme as at 31 December 2012 was 10,800,000 shares, representing 0.85% of the issued share capital of the Company at 31 December 2012. Further details of the 2008 Scheme are set out in note 36 to the financial statements.

4. Maximum entitlement of each participant:
   The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible person (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares of the Company in issue as at the date of grant. Any further share options to be granted under the 2008 Scheme in excess of this limit is subject to shareholders' approval in general meeting of the Company, with such eligible person and his associates abstaining from voting.

5. The periods within which the shares must be taken up under an option:
   The share options under the 2008 Scheme may be exercised at any time during the exercise period, notwithstanding that the 2008 Scheme may have expired or been terminated.

6. The minimum period for which an option must be held before it can be exercised:
   The exercise period of the share options granted under the 2008 Scheme is determinable by the Board, which shall not be more than 10 years after the date of grant.

7. The amount payable on application or acceptance of the option and the period within which payments of calls must or may be made or loans for such purpose must be paid:
   Share options granted under the 2008 Scheme must be accepted within 10 days from the date of grant, upon payment of HK$1 per grant.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

8. The basis of determining the exercise price:
   The exercise price of the share options under the 2008 Scheme will be determined by the Board, at its absolute discretion, but shall at least be the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

9. The remaining life:
   The 2008 Scheme will remain in force for a period of 10 years commencing on 11 September 2008.

Movements in the Company's outstanding share options under the 2008 Scheme during the year are as follows:

	Date of grant	Exercisable period	Exercise price HK$	Closing price per share immediately before the date of grant HK$	No. of options outstanding as at 1 January 2015	No. of options granted during the year ended 31 December 2015	No. of options exercised/ cancelled/ lapsed during the year ended 31 December 2015	No. of options outstanding as at 31 December 2015	Approximate percentage of the underlying shares for the options outstanding in the issued shares of the Company
Dr. Chen Yang (Note 1)	15 October 2010	15 October 2010 to 14 October 2020	1.638	1.610	3,000,000	–	–	3,000,000	0.24%
Mr. Wang Xiaobo (Note 1)	15 October 2010	15 October 2010 to 14 October 2020	1.638	1.610	2,850,000	–	–	2,850,000	0.22%
Mr. Qin Hong (Note 2)	2 December 2010	2 December 2010 to 1 December 2020	1.628	1.500	2,100,000	–	–	2,100,000	0.16%
Employees (Note 1)	15 October 2010	15 October 2010 to 14 October 2020	1.638	1.610	2,850,000	–	–	2,850,000	0.22%
Total					10,800,000	–	–	10,800,000	0.84%

Notes:

1. The options have a term of ten years commencing on 15 October 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 33¹/³%, 33¹/³% and 33¹/³% on 15 October 2010, 15 October 2011 and 15 October 2012 respectively.

2. The options have a term of ten years commencing on 2 December 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 33¹/³%, 33¹/³% and 33¹/³% on 2 December 2010, 2 December 2011 and 2 December 2012 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2015, according to the register of interests in shares in the Company and short positions of the Company required to be kept by the Company under section 336 of the SFO, the following persons or corporations, other than Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions of substantial shareholders' interests in the shares of the Company:

Name of substantial shareholder	Capacity	Number of shares interested	Approximate percentage of the Company's issued shares
Ms. Chiu Kit Hung	Interest of spouse (Note a)	780,013,018	61.22%
Wealthy In Investments Limited	Interest of controlled corporation (Note b)	755,013,018	59.26%
Money Success Limited	Beneficial owner (Note c)	755,013,018	59.26%
Baoli International (Hong Kong) Trading Co. Limited	Beneficial owner	120,000,000	9.42%
Mr. Xue Yuewu	Beneficial owner (Note d)	108,000,000	8.48%
Mr. Gao Yi Xin	Interest of controlled corporation (Note e)	90,000,000	7.06%
Ms. Wang He Fen	Interest of controlled corporation (Note e)	90,000,000	7.06%
Mr. Huang Wu Jun	Interest of controlled corporation (Note e)	90,000,000	7.06%
Xinyuan International Marine Transportation Co. Ltd.	Beneficial owner (Note e)	90,000,000	7.06%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

Notes:

a. Ms. Chiu Kit Hung is the spouse of Mr. Lo, who is the Chairman and an executive Director of the Company.

b. Wealthy In Investments Limited is a company wholly-owned by Mr. Lo.

c. 665,013,018 Shares were held by Money Success Limited, a company wholly-owned by Wealthy in investments Limited, which is in turn wholly-owned by Mr. Lo. 60,000,000 Shares were held by Sino Consult Asia Limited and 30,000,000 Shares were held by Full Brilliant Limited, both are companies wholly-owned by Money Success Limited.

d. Mr. Xue Yuewu is the brother of the spouse of Ms. Luo Shaoying, who is the executive Director of the Company.

e. 55%, 25% and 20% of the shareholdings of Xinyuan International Marine Transportation Co. Ltd were owned by Mr. Gao Yi Xin, Ms. Wang He Fen and Mr. Huang Wu Jun respectively.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons or corporations (other than Directors or chief executives of the Company) who had an interest directly or indirectly and/or short position in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands as at 5 April 2016, being the latest practicable date prior to printing of this report.

COMPETING INTERESTS

Save as the interests of Mr. Lo, being an executive Director and the Chairman of the Company, and certain of his associates (including his spouse) in property investment business which may likely compete, either directly or indirectly with the business of the Group, none of the Directors or the chief executive of the Company and their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2015 that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers. None of the Directors, their respective associates, or shareholders who to the knowledge of the Directors own more than 5% of the issued share capital of the Company has any interest in any of the five largest customers and suppliers of the Group during the year ended 31 December 2015.

REPORT OF THE DIRECTORS

MATERIAL ACQUISITIONS AND DISPOSAL

Major and Connected Transaction

On 21 November 2014, the Company entered into a loan agreement with Chongqing Doyen, pursuant to which the Company has agreed to advance a loan in the amount of RMB255 million (equivalent to approximately HK$304.2 million) to Chongqing Doyen. The period of the loan is one year commencing from the date of advancement of the loan. The interest rate is 10.5%. On the same day, Chongqing Baoxu entered into another loan agreement with Chongqing Doyen, pursuant to which the Company has agreed to advance a loan in the amount of RMB105 million (equivalent to approximately HK$125.3 million) to Chongqing Doyen. The period of the loan is one year commencing from the date of advancement of the loan. The interest rate is 10.5%. On 15 January 2016, an extraordinary general meeting was held to get the shareholder's approval. The loans were repaid in January 2016. For details, please refer to the circular of the Company dated 7 January 2015.

On 2 March 2015, East Profit Investments Limited (East Profit Investments, an indirect wholly owned subsidiary of the Company, entered into the capital injection agreement, pursuant to which, East Profit agreed to inject US$23.3 million in the Dongkui Financial Leasing as additional capital, representing approximately 45.42% of the enlarged registered capital of Dongkui Financial Leasing after the additional capital injection. The registered capital of Dongkui Financial Leasing has increased from US$28 million to US$51.3 million.

On 11 November 2015, the Company and Chongqing Baoxu have respectively entered into the loan agreements with Chongqing Doyen, pursuant to which the Company and Baoxu have advanced loans in the amount of RMB340 million (equivalent to approximately HK$405.6 million). For details, please refer to the circular of the Company dated 23 December 2015.

Major Transaction

As announced on 23 April 2015, the Group disposed the shares of Huishang Bank Corporation Limited in a series of transactions conducted during the period from 2 December 2014 to 23 April 2015 for an aggregate gross sale proceeds of approximately HK$14.9 million (exclusive of transaction costs). For details, please refer to the circular of the Company dated 4 June 2015.

On 14 September 2015, Dongkui Financial Leasing entered into a finance lease agreement with 河南金利金鉛有限公司 (Henan Jinli Jinyuan Co., Ltd.*), a company established in the PRC with limited liability ("Henan Jinli"), pursuant to which Dongkui Financial Leasing purchased machinery and equipment from Henan Jinli for a total consideration of approximately RMB194 million (equivalent to approximately HK$231.4 million). For details, please refer to the circular of the Company dated 7 October 2015.

DISCLOSEABLE AND CONNECTED TRANSACTION

Discloseable Transactions

On 5 March 2015, Dongkui Financial Leasing, as lender entered into a loan agreement with 深圳市東融投資發展有限公司(Shenzhen Dongrong Investment Development Company Limited*) ("Shenzhen Dongrong"), a company established with limited liability under the laws of the PRC, pursuant to which Dongkui Financial Leasing has agreed to grant a loan by way of entrusted loan through a licensed bank in the PRC in the amount of RMB28 million (equivalent to HK$33.4 million) for a term of 6 months at the interest rate of 10% per annum. On 9 September 2015, Dongkui Financial Leasing entered into a supplemental agreement with Shenzhen Dongrong, pursuant to which Dongkui Financial Leasing has agreed to extend the loan repayment date to 9 December 2015.

On 9 April 2015, Dongkui Financial Leasing, as lender entered into a loan agreement with 上海悠煌實業有限公司 (Shanghai Youhuang Industrial Co., Ltd.*), a company established with limited liability under the laws of the PRC, pursuant to which Dongkui Financial Leasing has agreed to grant a loan by way of entrusted loan through a licensed bank in the PRC in the amount of RMB20 million (equivalent to HK$23.9 million) for a term of 10 months at the interest rate of 16% per annum.

On 8 June 2015, Dongkui Financial Leasing entered into an asset management agreement as the assets trustor, with 天冶基金管理有限公司 (China Nature Asset Management Co., Ltd.*) as assets manager and 中國工商銀行股份有限公司廣東省分行營業部 (Industrial and Commercial Bank of China Limited, Guangdong Branch, Business Department*) as assets trustee. In accordance with the asset management agreement, the Company has agreed to entrust a total amount of RMB30 million (equivalent to approximately HK$35.8 million).

On 2 September 2015, Dongkui Financial Leasing, as lender entered into a loan agreement with 三亞大興集團有限公司 (Sanya Daxing Group Co., Ltd.*), a company established with limited liability under the laws of the PRC, pursuant to which Dongkui Financial Leasing has agreed to grant a loan by way of entrusted loan through a licensed bank in the PRC in the amount of RMB40 million (equivalent to HK$47.7 million) for a period from 2 September 2015 to 2 July 2016 at the interest rate of 13% per annum.

On 5 November 2015, Dongkui Financial Leasing entered into a sale and purchase agreement with 山西梅園工貿集團有限公司 (Shanxi Meiyuan Gongmao Group Company Limited*), a company established with limited liability under the laws of the PRC, pursuant to which Dongkui Financial Leasing has purchased machinery and equipment for a total consideration of approximately RMB20 million (equivalent to approximately HK$23.9 million). On 28 December 2015, Dongkui Financial Leasing entered into a termination agreement to terminate the sale and purchase agreement.

On 9 December 2015, Dongkui Financial Leasing entered into a sale and purchase agreement with 泰安華陽熱電有限公司 (Taian Huayang Redian Company Limited*), a company established in the PRC with limited liability, pursuant to which Dongkui Financial Leasing has purchased machinery and equipment for a total consideration of approximately RMB20 million (equivalent to approximately HK$23.9 million).

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

The related party transactions during the year ended 31 December 2015 are being disclosed in Note 36 to the consolidated financial statements.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

On 15 January 2016, Dongkui Financial Leasing entered into a sale and purchase agreement with 泗縣人民醫院 (Sixian Renmin Yiyuan*), a public institution legal person established in the PRC, pursuant to which Dongkui Financial Leasing has purchased machinery and equipment for a total consideration of approximately RMB30 million (equivalent to approximately HK$35.8 million).

On 15 January 2016, an extraordinary annual meeting was held. During the meeting, the independent shareholders approved a resolution in relation to entering into of loan agreements. For details, please refer to the circular of the Company dated 23 December 2015.

On 2 March 2016, the Company, Sol Chip Ltd. and 北京農業智能裝備技術研究中心 (Beijing Research Center of Intelligent Equipment for Agriculture*) (a public institution legal person established in the PRC), entered into a non-legally binding memorandum of understanding which sets out the major principal terms of the proposed project of testing and evaluation of certain Sol Chip's products with a view to, subject to further negotiation, jointly commercialising the project (the "Proposed Project"). The Board believes that leveraging on the advantages of the three parties which complement and cooperate with each other, the Proposed Project will have extremely important strategic implications in terms of the application and promotion of the Sol Chip products in the PRC market. For details, please refer to the Company's announcement dated 2 March 2016.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Chen Yang
Chief Executive Officer

* For identification purpose only

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to enhance shareholders' value and safeguard shareholders' interests. The Directors are of the opinion that the Company has complied with the code provisions ("Code Provision") as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2015, save for deviations from Code Provision A.4.1 and Code Provision E.1.2 as disclosed below:

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the non-executive Directors of the Company is appointed for a specific term. However, in accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Company considers that this is no less exacting than those provided in the Code.

Code Provision E.1.2 specifies that the chairman of the board should attend the annual general meeting. Mr. Lo Siu Yu ("Mr. Lo"), the chairman of the Board, has been heavily involved in the business operation of the Group in the PRC. Despite his utmost intention to be present at the Company's annual general meeting held on 15 May 2015, he was unable to attend the said meeting due to other urgent business commitments of the Group. Mr. Lo undertakes that he will try his best to attend the future annual general meetings of the Company whenever possible.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for securities transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors and all Directors confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2015.

THE BOARD

The Board currently comprises 3 executive Directors, including the Chairman, the Vice Chairman and the Chief Executive Officer, 2 non-executive Directors and 3 independent non-executive Directors.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management.

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the Independent Non-executive Directors has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

THE BOARD *(CONTINUED)*

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its Executive Directors and senior management. Biographical details and responsibilities of each Board member and senior management are set out in pages 9 to 10 of this report. Ms. Luo Shaoying is the sister of Mr. Lo. Ms. Luo and Mr. Wang Xiaobo are employees of a company that was controlled by Mr. Lo and his spouse. Ms. Luo is the wife of the brother of Mr. Xue Yuewu, who is a substantial shareholder of the Company. Mr. Qin Hong is now the general manager of 江蘇華西同誠投資控股集團有限公司 (Jiangsu Huaxi Tongcheng group Investment & Holding Co., Ltd.*) and a director of 江蘇華西集團財務有限公司 (Jiangsu Huaxi Group Finance Co., Ltd*), which is an indirect subsidiary of Huaxi Group. One of the subsidiaries of Huaxi Group, Baoli International (Hong Kong) Trading Co., Limited, is a substantial shareholder of the Company. Save as disclosed above, there is no other relationship (including financial, business, family or other material relationship) among members of the Board and substantial shareholders.

Regular Board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The individual attendance of each Director during the year under review is set out below:

	Number of Board meetings Directors attended/eligible to attend
Executive Directors	
Mr. Lo Siu Yu, *Chairman*	17/17
Ms. Luo Shaoying, *Vice Chairman*	17/17
Dr. Chen Yang, *Chief Executive Officer*	17/17
Non-executive Directors	
Mr. Wang Xiaobo	17/17
Mr. Qin Hong	17/17
Independent Non-executive Directors	
Mr. Chan Ying Kay	17/17
Mr. Wang Jin Ling	17/17
Dr. Zhu Wenhui	17/17

BOARD DIVERSITY

In compliance with the new provision of the Code, the Board had adopted the Board Diversity Policy and revised the terms of reference for the Nomination Committee of the Company.

In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Company for appointment or re-appointment of directors and succession planning of directors, the Nomination Committee will take into account a number of factors including but without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge, and length of service.

* For identification purpose only

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman, Mr. Lo Siu Yu and the Chief Executive Officer, Dr. Chen Yang, are separated, with a clear segregation of duties. The Chairman is responsible for formulating corporate strategies and overall business development planning. The Chief Executive Officer's duty is to oversee the execution of daily operation of the business activities. The segregation of duties is to ensure a balance of power and authority.

NOMINATION COMMITTEE

The Company established the nomination committee (the "Nomination Committee") with written terms of reference on 4 November 2009. The Nomination Committee comprises the Chairman, Mr. Lo Siu Yu and two independent non-executive Directors, Mr. Chan Ying Kay and Dr. Zhu Wenhui.

The principal duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and Chief Executive Officer.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Nomination Committee was revised and approved by the Board on 20 March 2012.

During the year ended 31 December 2015, one Nomination Committee meeting was held.

In accordance with the Articles of Association, Mr. Lo Siu Yu, Mr. Qin Hong and Mr. Wang Jin Ling shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

A circular containing detailed information of the Directors of the Company standing for re-election at the forthcoming annual general meeting would be sent to the shareholders.

TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

According to the Articles of Association of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not less than one-third) should retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until the next following annual general meeting and would then be eligible for re-election at that meeting. The existing independent non-executive Directors of the Company have fixed term of office but their termination are determinable by either party with a written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee (the "Audit Committee") has been established since 1999 with written terms of reference pursuant to all the duties set out in Code Provision C.3.3 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors of the Company, namely Mr. Chan Ying Kay (Committee Chairman), Dr. Zhu Wenhui and Mr. Wang Jin Ling. Mr. Chan Ying Kay possesses extensive experience in accounting and financial matters and meets the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal control system of the Group.

During the year ended 31 December 2015, the Audit Committee held two meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, internal controls system and financial reporting matters. It also reviewed the financial statements of the Company, the Company's annual and interim reports and the management letter from the auditor of the Company.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent Non-executive Directors	
Mr. Chan Ying Kay, *Committee Chairman*	2/2
Mr. Wang Jin Ling	2/2
Dr. Zhu Wenhui	2/2

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Audit Committee was revised and approved by the Board on 20 March 2012.

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") was established in October 2007 with written terms of reference pursuant to all the duties set out in Code Provision B.1.1 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors, namely Dr. Zhu Wenhui (Committee Chairman), Mr. Chan Ying Kay and Mr. Wang Jin Ling.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of senior management and make recommendation to the Chairman and the executive members of the Board of Directors' remuneration.

During the year ended 31 December 2015, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review.

REMUNERATION COMMITTEE *(CONTINUED)*

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent Non-executive Directors	
Dr. Zhu Wenhui, *Committee Chairman*	1/1
Mr. Chan Ying Kay	1/1
Mr. Wang Jin Ling	1/1

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Remuneration Committee was revised and approved by the Board on 20 March 2012.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial periods. The statement of the Group's auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on page 27 to 28.

AUDITOR'S REMUNERATION

During the year ended 31 December 2015, the remuneration for the Group's auditor, PricewaterhouseCoopers, is as follows:

	HK$'000
Audit fees	1,768
Non-audit service fees	761
	2,529

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control and for reviewing its effectiveness through the Audit Committee. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

During the period, the Board has reviewed the effectiveness of the system of internal control through the Audit Committee and no material internal control deficiencies were identified by the Audit Committee.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

The Company has only one class of shares, all shares have the same voting rights and are entitled to the dividends declared. The Articles of Association set out the rights of our shareholders.

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

In order to include a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Pursuant to Article 75 of the Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should deposit a written notice of nomination which shall be given to the Company Secretary within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders not less than ten (10) business days prior to the general meeting.

Shareholders have the right to receive corporate communication issued by the Company in hard copies or through electronic means.

Shareholders whose shares held in the Central Clearing and Settlement System (CCASS) may notify us from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive our corporate communications.

Shareholders and other stakeholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary. The Company Secretary forwards communications relating to matters within the Board's purview to the independent Directors, communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee, and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate executives of the Company.

To promote effective communication, the Company maintains a website at www.dowellproperty.com, where up-to-date information of the Company is available for public access.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE MEMBERS OF DOWELL PROPERTY HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Dowell Property Holdings Limited (the "Company") and its subsidiaries set out on pages 29 to 91, 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
Continuing operations			
Revenue	5	**30,361**	16,569
Staff costs	6	**(16,644)**	(13,885)
Operating lease rentals		**(2,337)**	(3,233)
Business and other tax expenses		**(4,821)**	(5,642)
Depreciation and impairment of property, plant and equipment		**(919)**	(1,064)
Other operating expenses	8	**(21,161)**	(11,628)
Fair value loss on investment property	15	**(27,612)**	(34,537)
Fair value gain/(loss) on financial assets at fair value through profit or loss	22	**3,307**	(4,048)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	22	**2,517**	(4,771)
Gain on disposal of available-for-sale financial assets		**–**	114
Other income	9	**5,364**	6,604
Exchange loss – net		**(14,521)**	(11,115)
Operating loss		**(46,466)**	(66,636)
Finance income	10	**49,010**	40,865
Finance costs	10	**(36,422)**	(15,486)
Finance income – net	10	**12,588**	25,379
Share of loss of an associate	30	**(2,667)**	–
Loss before income tax		**(36,545)**	(41,257)
Income tax (expense)/credit	11	**(4,053)**	437
Loss for the year from continuing operations		**(40,598)**	(40,820)
Discontinued operation			
Profit for the year from discontinued operation	33	**–**	3,033
Loss for the year		**(40,598)**	(37,787)
Attributable to:			
Equity holders of the Company		**(38,014)**	(29,793)
Non-controlling interests		**(2,584)**	(7,994)
		(40,598)	(37,787)
Loss attributable to equity holders of the Company arises from:	13		
Continuing operations		**(38,014)**	(32,826)
Discontinued operation		**–**	3,033
		(38,014)	(29,793)
Basic and diluted loss per share attributable to equity holders of the Company for the year (expressed in HK cent per share)	13	**HK cents**	HK cents
From continuing operations		**(2.98)**	(2.58)
From discontinued operation		**–**	0.24
From continuing and discontinued operations		**(2.98)**	(2.34)

The notes on pages 35 to 91 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK$'000	2014 HK$'000
Loss for the year	**(40,598)**	(37,787)
Other comprehensive loss:		
Item that may be subsequently reclassified to profit or loss		
Exchange differences arising from translation of foreign operations	**(37,137)**	(13,768)
Other comprehensive loss for the year, net of tax	**(37,137)**	(13,768)
Total comprehensive loss for the year	**(77,735)**	(51,555)
Total comprehensive loss attributable to:		
Equity holders of the Company		
– Continuing operations	**(65,518)**	(42,085)
– Discontinued operation	**–**	3,033
	(65,518)	(39,052)
Non-controlling interests		
– Continuing operations	**(12,217)**	(12,503)

The notes on pages 35 to 91 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,290**	2,149
Investment property	15	**351,935**	389,688
Investment in an associate	30	**28,533**	–
Intangible assets	16	**7,514**	7,932
Deferred income tax assets	25	**9,171**	5,687
Loan receivables	17	**105,138**	47,844
Long-term rental deposits	21	**–**	648
		503,581	453,948
Current assets			
Loan receivables	17	**159,829**	33,800
Due from related companies	20	**441,510**	471,720
Deposits, prepayments and other receivables	21	**6,657**	8,828
Financial assets at fair value through profit or loss	22	**52,307**	17,363
Cash and cash equivalents	23	**213,195**	217,313
		873,498	749,024
Total assets		**1,377,079**	1,202,972
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	24	**1,174,378**	1,174,378
Deficit		**(438,413)**	(379,271)
		735,965	795,107
Non-controlling interests		**196,228**	208,145
Total equity		**932,193**	1,003,252

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**356,979**	149,880
Finance lease liabilities	27	**–**	133
		356,979	150,013
Current liabilities			
Other payables and accrued charges	28	**28,760**	19,427
Income tax payable		**8,997**	4,899
Borrowings	26	**50,017**	24,980
Finance lease liabilities	27	**133**	401
		87,907	49,707
Total liabilities		**444,886**	199,720
Total equity and liabilities		**1,377,079**	1,202,972
Net current assets		**785,591**	699,317
Total assets less current liabilities		**1,289,172**	1,153,265

The financial statements on pages 29 to 91 were approved by the Board of Directors on and were signed on its behalf.

Lo Siu Yu
Director

Chen Yang
Director

The notes on pages 35 to 91 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash used in operations	34	**(177,545)**	(97,923)
Profits tax refunded		**–**	–
Net cash used in operating activities		**(177,545)**	(97,923)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(61)**	(1,187)
Additions to an investment property		**(6,414)**	(1,460)
Advancement of loan to a related company		**(429,480)**	(449,640)
Repayment of loan from a related company		**448,920**	–
Purchase of financial assets at fair value through profit or loss		**(165,409)**	(71,365)
Purchase of available-for-sale financial assets		**–**	(52,458)
Refund/(payment) of deposit for acquisition of assets		**15,000**	(15,000)
Investment in an associate		**(31,200)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**137,938**	63,516
Proceeds from disposal of available-for-sales financial assets		**–**	52,572
Dividend income received		**–**	778
Interest received		**49,010**	39,560
Net cash generated from/(used in) investing activities		**18,304**	(434,684)
Cash flows from financing activities			
Decrease in restricted bank deposits		**–**	397
Proceeds from other borrowings		**191,335**	–
Proceeds from bank borrowings		**70,759**	–
Repayment of bank borrowings		**(31,700)**	(29,940)
Interest paid on bank and other borrowings		**(34,680)**	(16,941)
Repayment of finance lease liabilities		**(401)**	(521)
Proceeds from capital injection from non-controlling interest		**–**	89,700
Net cash generated from financing activities		**195,313**	42,695
Net increase/(decrease) in cash and cash equivalents		**36,072**	(489,912)
Cash and cash equivalents at the beginning of the year		**217,313**	720,566
Exchange differences on cash and cash equivalents		**(40,190)**	(13,341)
Cash and cash equivalents at the end of the year	23	**213,195**	217,313

The notes on pages 35 to 91 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Equity attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Retained earnings HK$'000	Exchange reserve HK$'000	Other Reserve (1) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	127,404	1,046,974	(409,968)	48,314	12,221	9,189	834,134	130,948	965,082
Loss for the year	–	–	–	(29,793)	–	–	(29,793)	(7,994)	(37,787)
Other comprehensive loss									
Currency translation differences	–	–	–	–	(9,259)	–	(9,259)	(4,509)	(13,768)
Total comprehensive loss	–	–	–	(29,793)	(9,259)	–	(39,052)	(12,503)	(51,555)
Write-back of unclaimed dividends (Note 12)	–	–	–	25	–	–	25	–	25
Transition to no par value regime on 3 March 2014 (Note 24)	1,046,974	(1,046,974)	–	–	–	–	–	–	–
Capital injection to Shanghai Dongkui	–	–	–	–	–	–	–	89,700	89,700
At 31 December 2014	1,174,378	–	(409,968)	18,546	2,962	9,189	795,107	208,145	1,003,252
At 1 January 2015	**1,174,378**	**–**	**(409,968)**	**18,546**	**2,962**	**9,189**	**795,107**	**208,145**	**1,003,252**
Loss for the year	**–**	**–**	**–**	**(38,014)**	**–**	**–**	**(38,014)**	**(2,584)**	**(40,598)**
Other comprehensive loss									
Currency translation differences	**–**	**–**	**–**	**–**	**(27,504)**	**–**	**(27,504)**	**(9,633)**	**(37,137)**
Total comprehensive loss	**–**	**–**	**–**	**(38,014)**	**(27,504)**	**–**	**(65,518)**	**(12,217)**	**(77,735)**
Write-back of unclaimed dividends (Note 12)	**–**	**–**	**–**	**243**	**–**	**–**	**243**	**–**	**243**
Issuance of warrants (Note 32)	**–**	**–**	**–**	**–**	**–**	**6,433**	**6,433**	**–**	**6,433**
Acquisition of additional interest in a subsidiary (Note 29)	**–**	**–**	**–**	**–**	**–**	**(300)**	**(300)**	**300**	**–**
At 31 December 2015	**1,174,378**	**–**	**(409,968)**	**(19,225)**	**(24,542)**	**15,322**	**735,965**	**196,228**	**932,193**

(1) Other reserve mainly comprised share-based payment reserve.

The notes on pages 35 to 91 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Dowell Property Holdings Limited is a limited liability company incorporated in Hong Kong. The address of its registered office is Suites 2009-2010, 20/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together, the "Group") are principally engaged in (i) investment property holding in the People's Republic of China (the "PRC") and (ii) provision of financing to customers in the PRC (the "Dongkui business"). During the year ended 31 December 2015, the Group subscribed for 279,623 preferred B-1 shares of Sol Chip Limited ("Sol Chip"), a company incorporated in Israel, at consideration of U$$4 million (equivalent to approximately HK$31.2 million). Upon completion of the transaction, Sol Chip became an associate of the Group. Refer to Note 30 for details.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA. They have been prepared under the historical cost convention, as modified by investment property and financial assets at fair value through profit or loss which are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

The following amendments to standards are mandatory for the first time for the year ended 31 December 2015. The Group has adopted these amendments to standards which are relevant to its operations.

Amendment from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, "Operating segments". The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKAS 16, "Property, plant and equipment" and HKAS 38, "Intangible assets". Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity used the revaluation model.

Amendment from annual improvements to HKFRSs – 2010-2012 Cycle, on HKAS 24, "Related party disclosures". The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employer or directors, but it is require to disclose the amounts charged to the reporting entity by the management entity for services provided.

Amendment from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 3, "Business combinations". It clarifies that HKFRS 3 does not only apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

Amendment from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 13, "Fair value measurement". It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

Amendment from annual improvements to HKFRSs – 2011-2013 Cycle, on HKAS 40, "Investment property". It clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning 1 January 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS10, HKFRS12 and HKAS28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

The Group has already commenced an assessment of the impact of the above new/revised standards and amendments to standards and have concluded on a preliminary basis that these new/revised standards and amendments to standards would not have a significant impact to its results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associate *(Continued)*

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of results of an associate" in the consolidated income statement.

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

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.4 Segment reporting

Operating segments are reporting in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers ("CODM"), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or expenses". All other foreign exchange gains and losses are presented in the income statement within "exchange gain or loss – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate. Currency translation difference arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is initially measured at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined by external valuer at least annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the external valuer use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in the consolidated income statement as "fair value loss on investment property".

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the consolidated income statement during the period in which they are incurred.

2.7 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the 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 repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives and the annual rates of depreciation are as follows:

Buildings	5% or over the unexpired periods of the leases, whichever is shorter.
Leasehold improvements	33% or over the unexpired periods of the leases, whichever is shorter.
Furniture, fixtures and equipment	15-33%
Motor vehicles	15-20%

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

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in net fair value of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Club memberships

Club memberships with a definite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of club memberships over their estimated useful lives.

2.9 Impairment of non-financial assets

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

2.10 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Finance lease receivables

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are designated at fair value through profit or loss at inception if the designation relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loan receivable", "due from related companies", "deposits and other receivables", "rental deposits paid" and "cash and cash equivalents" in the consolidated statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Financial assets *(Continued)*

(b) Recognition and measurement

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

Finance lease receivables are regarded as loans and receivables for the purpose of derecognition and impairment.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Changes in the fair value monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(c) Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

– Significant financial difficulty of the issuer or obligor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

– It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

– The disappearance of an active market for that financial asset because of financial difficulties; or

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Impairment of financial assets *(Continued)*

(b) Assets classified as available for sale

For finance lease receivables, the amount of loss impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flow, discounted at the implicit effective interest rate used in initial recognition.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.14 Other receivables

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

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.16 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) Offsetting

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

2.17 Other payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Employee benefits

(a) *Pension obligations*

The Group has various defined contribution plans in Hong Kong and the PRC for pensions and other social obligation in accordance with the local conditions and practices. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee leave entitlements*

Employee entitlement to annual leave or other statutory leave is recognised when they are accrued to employees. A provision is made for the estimated liability for paid leave as a result of services rendered by employees up to the date of statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Employee benefits *(Continued)*

(c) Termination benefits

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

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments and individuals' performance. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Share-based payments

The Group operates a share-based compensation plan, under which the Group receives services from directors, employees and other counterparties as consideration for equity instruments (options and warrants) of the Group. The fair value of the directors' and employees' services received in exchange for the grant of the options and warrants is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and warrants granted:

- including any market performance conditions (for example, the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options or warrants that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options or warrants are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options or warrants are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

2.23 Reinstatement costs

Provision for reinstatement costs is recognised when the Group has an obligation under the lease agreements to return the leased properties at the end of the lease in its original state.

2.24 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of credit card fees, discounts and value-added taxes and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration of the type of customers, the type of transactions and the specifics of each arrangement.

(i) *Rental income*

Rental income is recognised on a straight line basis over the lease term. When incentives are provided to the tenants, the cost of incentives is recognised over the lease term on a straight-line basis, as a reduction of rental income.

(ii) *Sales of goods and services from restaurant operations*

Sales of goods from restaurant operations are recognised at the point of sales to customers and sales of services from restaurant operations are recognised when services are rendered to customers.

(iii) *Interest income*

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

(iv) *Finance lease income*

The income under finance lease is recognised in the consolidated income statement using the effective interest rate implicit in the lease over the term of the lease. Contingent rent is recognised as income in the period in which it is earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Borrowing costs

Borrowing costs, including those pertaining to general borrowings, incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in profit or loss in the period in which they incurred.

2.26 Leases

Operating lease – as a lessee

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

Operating lease – as a lessor

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature, as set out in Note 2.5. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2.24 (i).

Finance lease – as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. At the commencement of the lease term, the minimum lease payments receivable is recognised as a finance lease receivable and the unguaranteed residual value is recorded as an asset at the same time. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Revenue arising from finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2.24 (iv).

2.27 Dividend income

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

2.28 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, foreign exchange risk, cash flow interest rate risk, price risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) *Credit risk*

The carrying amounts of cash and cash equivalents, deposits and receivables (including loan receivables), investment in equity fund and balances due from related parties represent the Group's maximum exposure to credit risk in relation to financial assets.

During the year, the Group's turnover was derived from rental income from an investment property in the PRC and interest income from Dongkui business.

For investment property holding business, the Group has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. The Group controls the level of credit risk it can accept by placing limits on its exposure to a single counter party and by ensuring that rental contracts are only entered into with lessees with good credit history.

For Dongkui business, the Group assesses the credit quality of the customers taking into account their financial position, past experience and other factors, and imposes credit limits accordingly. The utilization of credit limits and financial position of the customers are regularly monitored.

The credit risk exposure for the other receivables and amount due from related parties is considered low given the financial position of the counter-parties as well as on time repayment history from the counter-parties in accordance with the terms of the agreements.

The credit risk exposure for bank deposits and bank balances and investment in equity fund is considered minimal as such amounts are placed with reputable financial institutions with good credit ratings.

(b) *Foreign exchange risk*

The Group operates in Hong Kong and the PRC with most of the transactions being denominated and settled in local currencies. A substantial portion of the Group's cash and cash equivalents are denominated in Renminbi ("RMB").

The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against HKD with all other variables being held constant, the Group's pre-tax loss for the year would have been approximately HK$20,997,000 lower/higher (2014: HK$17,217,000 lower/higher), mainly as a result of exchange gains/losses on translation of cash and bank balances and loan from a related company denominated in RMB held by the group companies with HKD as functional currency.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Cash flow and fair value interest rate risk

The Group is not exposed to material fair value interest rate risk. The Group's exposure to cash flow interest rate risks arising from the Group's interest-bearing bank deposits and bank borrowings. As at 31 December 2015, the Group's bank deposits and bank borrowings bore interest at variable rates and exposed the Group to cash flow interest rate risks. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

Other than the factor as mentioned above, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2015, if interest rates on bank deposits and bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's pre-tax loss for the year would by approximately HK$254,000 lower/higher (2014: HK$303,000 lower/higher), mainly as a result of higher/lower net interest income on bank deposits and bank borrowings at variable rates.

(d) Price risk

The Group is exposed to securities price risk because certain investments held by the Group are classified in the statement of financial position as financial assets at fair value through profit or loss as at 31 December 2015 and 31 December 2014.

As at 31 December 2015, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 20% (2014: 20%) with all other variables held constant, the Group's pre-tax loss for the year would have been approximately HK$10,461,000 lower/higher (2014: HK$3,473,000 lower/higher) as a result of gains/losses on change in fair value of the financial asset at fair value through profit or loss.

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes that there is no significant liquidity risk as the Group has sufficient cash and cash equivalents to fund its operations.

The following table details the remaining contractual maturities at the end of the reporting period position of the Group's and Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company is required to pay.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	**Between 2 and 5 years** HK$'000	**Over 5 years** HK$'000
As at 31 December 2015			
Other payables	**8,204**	**–**	**–**
Borrowings	**81,778**	**357,976**	**24,840**
Finance lease liabilities	**135**	**–**	**–**
Total	**90,117**	**357,976**	**24,840**
As at 31 December 2014			
Other payables	3,284	–	–
Borrowings	37,765	130,017	53,952
Finance lease liabilities	416	135	–
Total	41,465	130,152	53,952

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Total borrowings (Note 26)	**406,996**	174,860
Less: cash and cash equivalents (Note 23)	**(213,195)**	(217,313)
Net debt/(surplus)	**193,801**	(42,453)
Total equity	**932,193**	1,003,252
Total capital	**1,125,994**	960,799
Gearing ratio	**17%**	N/A

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Refer to Note 15 for disclosures of the investment property that are measured at fair value.

	Level 1 HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 December 2015			
Financial assets at fair value through profit or loss	**13,618**	**38,689**	**52,307**
As at 31 December 2014			
Financial assets at fair value through profit or loss	17,363	–	17,363

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to access the fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Financial assets at fair value through profit or loss HK$'000
As at 1 January 2015	–
Acquisition	37,020
Gain recognised in consolidated income statement	1,669
As at 31 December 2015	38,689
Total gains for the year included in the profit or loss for assets held at the end of the year	1,669
Changes in unrealised gains for the year included in profit or loss at the end of the year	1,669

The carrying amounts of the Group's other financial assets including cash and cash equivalents, other receivables, loan receivables and balances due from related companies, and financial liabilities including other payables are assumed to approximate their fair values due to their short maturities.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

4.1 Estimates of fair value of investment property

The fair value of investment property is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

4.2 Impairment of other receivables including loan receivables and balances due from related parties

Management reviews regularly the recoverable amount of other receivables including loans and balances due from related parties to ensure that adequate impairment is made for the balances. Management assesses the recoverable amount of each individual receivables whether there is objective evidence that the receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions.

Management reassesses the provision at each balance sheet date.

4.3 Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the Group in which the deferred tax assets have been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each date of the statement of financial position and to the extent that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry-forward tax losses, the asset balance will be reduced and charged to the income statement.

4.4 Income and other taxes

The Group is subject to income and other taxes in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

4.5 Classification of finance leases

Management determines whether an arrangement is, or contains, a finance lease based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or group of assets, and the arrangement conveys a right to use the assets.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

4.5 Classification of finance leases *(Continued)*

Situations that would normally lead to a lease being classified as a finance lease include the following:

– The lease transfers ownership of the asset to the lessee by the end of the lease term;

– The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;

– The lease term is for the major part of the economic life of the asset, even if title is not transferred;

– At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

– The lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

For sales and lease back transactions with repurchase options which are almost certain to be exercised and do not convey a right to use of the underlying assets, the management judges that in substance the arrangement is not in the scope of HKAS 17 "Lease", which instead is accounted for as a financial instrument under HKAS 39 "Financial instruments".

4.6 Impairment of property, plant and equipment and intangible assets (other than goodwill)

Property, plant and equipment and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations of fair value less costs of sell calculations. The calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4.7 Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives and related depreciation and/or amortisation for its non-financial assets. This estimation is based on the historical experience of the actual useful lives of the assets with similar nature and functions. Management will adjust the depreciation and amortisation where useful lives vary with previously estimated lives.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

4.8 Impairment of investment in an associate

The Group makes provision for impairment of investment in an associate based on an assessment of the future economic benefits of the investments which will flow to the Group. The identification of provisions requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investment in an associate in the period in which such estimate has been changed.

5 REVENUE AND SEGMENT INFORMATION

Reportable segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the CODM in order to assess performance and allocate resources. The executive directors assess the performance of the reportable segments based on the profit and loss generated.

The Group's management reviews the business principally from an industry perspective. During the year, the Group is principally engaged in (i) investment property holding in the PRC and (ii) the Dongkui business.

During the year ended 31 December 2014, the Group ceased the restaurant business upon expiration of the lease of its only restaurant in Hong Kong and as such the restaurant business has been presented as discontinued operation in the consolidated income statement for the year ended 31 December 2014 (Note 33).

Revenue from the three segments is analysed as follows:

	2015 **HK$'000**	2014 HK$'000
Continuing operations		
Investment property holding	**7,138**	15,753
Dongkui business	**23,223**	816
	30,361	16,569
Discontinued operation		
Restaurant operation (Note 33)	**–**	8,956

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

The segment information provided to the CODM for the reportable segments is as follows:

	Continuing operations		
	Investment property holding HK$'000	Dongkui business HK$'000	Total HK$'000
Year ended 31 December 2015			
Revenue from external customers	7,138	23,223	30,361
Depreciation of property, plant and equipment	(9)	(6)	(15)
Fair value loss on investment property	(27,612)	–	(27,612)
Fair value gain on financial assets at fair value through profit or loss	–	2,700	2,700
Gain on disposal of financial assets at fair value through profit or loss	–	2,437	2,437
Finance income	14,909	1,331	16,240
Finance costs	(15,802)	(1,251)	(17,053)
Exchange gain	–	140	140
Segment results	(26,376)	20,522	(5,854)
Income tax credit/(expense)	4,520	(5,167)	(647)
Capital expenditure	(6,414)	(61)	(6,475)
As at 31 December 2015			
Segment assets	532,153	467,661	999,814
Segment liabilities	(170,451)	(76,428)	(246,879)

	Continuing operations			Discontinued operation
	Investment property holding HK$'000	Dongkui business HK$'000	Total HK$'000	Restaurant operation HK$'000
Year ended 31 December 2014				
Revenue from external customers	15,753	816	16,569	8,956
Depreciation of property, plant and equipment	(9)	–	(9)	(252)
Fair value loss on investment property	(34,537)	–	(34,537)	–
Fair value loss on financial assets at fair value through profit or loss	–	(732)	(732)	–
Gain on disposal of financial assets at fair value through profit or loss	–	18	18	–
Gain on disposal of available-for-sale financial assets	14	100	114	–
Finance income	12,564	407	12,971	–
Finance costs	(15,444)	–	(15,444)	–
Exchange loss	–	(790)	(790)	–
Segment results	(29,202)	(1,264)	(30,466)	3,033
Income tax credit	3,860	312	4,172	–
Capital expenditure	(512)	–	(512)	–
As at 31 December 2014				
Segment assets	580,608	215,380	795,988	–
Segment liabilities	(179,806)	(1,350)	(181,156)	–

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

A reconciliation of segment results to loss before income tax is provided as follows:

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Segment results	**(5,854)**	(30,466)
Elimination of segment finance income from head office	**(906)**	(12,111)
Depreciation of property, plant and equipment at head office	**(904)**	(1,055)
Staff costs at head office	**(10,101)**	(10,082)
Finance income	**33,676**	40,005
Finance cost	**(19,369)**	(42)
Corporate expenses	**(21,810)**	(15,638)
Share of loss of an associate	**(2,667)**	–
Loss on disposal of property, plant and equipment	**–**	(42)
Fair value gain/(loss) on financial assets at fair value through profit or loss	**607**	(3,316)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	**80**	(4,789)
Other income	**5,364**	6,604
Exchange loss – net	**(14,661)**	(10,325)
Loss before income tax	**(36,545)**	(41,257)

Reportable segments' assets are reconciled to total assets as follows:

	2015 HK$'000	2014 HK$'000
Total assets for reportable segments	**999,814**	795,988
Property, plant and equipment	**1,217**	2,121
Financial assets at fair value through profit or loss	**6,265**	11,827
Cash and cash equivalents	**17,339**	46,224
Due from related companies	**314,867**	471,720
Investment in an associate	**28,533**	–
Other assets	**9,044**	9,345
Total unallocated assets	**377,265**	541,237
Elimination of inter-company receivables	**–**	(134,253)
Total assets	**1,377,079**	1,202,972

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015 HK$'000	2014 HK$'000
Total liabilities for reportable segments	**246,879**	181,156
Finance lease liabilities	**133**	534
Income tax payable	**7,670**	4,377
Borrowings	**193,077**	–
Other liabilities	**15,527**	13,653
Total unallocated liabilities	**216,407**	18,564
Elimination of inter-company payables	**(18,400)**	–
Total liabilities	**444,886**	199,720

All revenue from the restaurant business segment is derived in Hong Kong, while all revenue from the investment property holding and Dongkui business is derived in the PRC. All of the Group's assets, liabilities and capital expenditure of the restaurant operation segment are located in Hong Kong, and all of the Group's assets, liabilities and capital expenditure of the investment property holding and Dongkui business are located in the PRC.

6 STAFF COSTS

	2015 HK$'000	2014 HK$'000
Wages and salaries, including directors' emoluments	**14,216**	11,630
Retirement benefit costs-defined contribution schemes (Note a)	**968**	878
Other staff costs	**1,460**	1,377
	16,644	13,885

(a) These mainly represent:

(i) the Group's contributions to the Mandatory Provident Funds (MPF) for employees working in Hong Kong. Under the MPF scheme, each of the group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings with a maximum of HK$1,500 for employees' monthly contribution, as appropriate as defined under the Hong Kong Mandatory Provident Funds legislations.

(ii) the Group's contributions to defined contribution pension plans in the PRC for employees working in the PRC. These pension plans are organised by the respective municipal and provincial government of the PRC, and include elderly insurance, medical insurance and unemployment insurance at rates up to 20%, 7.5% and 2% respectively of the employees' basic salaries depending on the applicable local regulations.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

(b) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group during the year include 2 (2014: 2) directors whose emoluments are reflected in the analysis shown in Note 7. The emoluments paid or payable to the remaining 3 (2014: 3) individuals during the year are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, housing allowances and other allowances	**1,974**	1,867
Contribution to pension scheme	**54**	17
	2,028	1,884

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2015**	2014
Nil – HK$1,000,000	**3**	3

No emolument was paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2015 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking								
Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$,000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries HK$'000	Total HK$'000
Executive directors									
Mr. Lo Siu Yu (Chief executive director)	-	1,440	-	-	816	18	-	-	2,274
Ms. Luo Shaoying	-	240	-	-	-	12	-	-	252
Dr. Chen Yang	-	2,000	-	276	54	18	-	-	2,348
Non-executive directors									
Mr. Wang Xiaobo	120	-	-	-	-	-	-	-	120
Mr. Qin Hong	120	-	-	-	-	-	-	-	120
Independent non-executive directors									
Mr. Chan Ying Kay	120	-	-	-	-	-	-	-	120
Mr. Wang Jin Ling	120	-	-	-	-	-	-	-	120
Dr. Zhu Wenhui	120	-	-	-	-	-	-	-	120
	600	3,680	-	276	870	48	-	-	5,474

7 BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2014 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking								
Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$,000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries HK$'000	Total HK$'000
Executive directors									
Mr. Lo Siu Yu (Chief executive director)	–	1,440	–	–	1,036	17	–	–	2,493
Ms. Luo Shaoying	–	240	–	–	–	12	–	–	252
Dr. Chen Yang	–	2,000	–	252	28	16	–	–	2,296
Mr. Yang Yong Xi (1)	–	90	–	–	–	5	–	–	95
Non-executive directors									
Mr. Wang Xiaobo	120	–	–	–	–	–	–	–	120
Mr. Qin Hong	120	–	–	–	–	–	–	–	120
Independent non-executive directors									
Mr. Chan Ying Kay	120	–	–	–	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	–	–	–	120
Dr. Zhu Wenhui	120	–	–	–	–	–	–	–	120
	600	3,770	–	252	1,064	50	–	–	5,736

(1) Mr. Yang Yong Xi has resigned as an executive director of the Company with effective on 16 May 2014.

7 BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2014: Nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year (2014: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2014: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2014: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

8 EXPENSES BY NATURE

	2015 **HK$'000**	2014 HK$'000
Legal and professional expenses	**5,424**	2,382
Bank charges	**857**	535
Entertainment and promotion expenses	**2,630**	2,427
Auditor's remuneration	**1,810**	1,463
Travelling and accommodation	**982**	1,241
Motor vehicle expenses	**683**	685
Occupancy expenses (other than operating lease rentals)	**420**	590
Amortisation of intangible assets (Note 16)	**418**	418
Information and technology ("IT") expenses	**134**	372
Insurance expenses	**176**	190
Share-based compensation (Note 32)	**6,433**	–
Other expenses	**1,194**	1,325
Other operating expenses	**21,161**	11,628

9 OTHER INCOME

	2015 HK$'000	2014 HK$'000
Reimbursement of tax expenses from a related company (Note 20)	**5,313**	5,826
Dividend income from investments in financial assets at fair value through profit and loss	**51**	778
	5,364	6,604

10 FINANCE INCOME AND COSTS

	2015 HK$'000	2014 HK$'000
Finance costs:		
– Finance lease liabilities	**(15)**	(42)
– Bank borrowings	**(17,053)**	(15,444)
– Other borrowings – bond	**(19,354)**	–
Finance costs	**(36,422)**	(15,486)
Finance income:		
– Interest income from bank deposits	**2,161**	3,224
– Interest income from loans to a related company (Note 20)	**46,849**	37,214
– Other interest income	**–**	427
Finance income	**49,010**	40,865
Finance income – net	**12,588**	25,379

11 INCOME TAX

No Hong Kong profits tax has been provided for the year ended 31 December 2015 (2014: Nil) as there was no estimated assessable profit for the year (2014: Nil).

PRC corporate income tax has been provided on the taxable profit of subsidiaries which are subject to PRC corporate income tax at statutory tax rate of 25%, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

The amount of income tax charged/(credited) to the consolidated income statement represents:

	Year ended 31 December 2015	Year ended 31 December 2014		
	Continuing operations HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Current income tax – PRC corporate income tax – charge for the year	**7,921**	4,261	–	4,261
Deferred income tax				
– current year credit	**(3,868)**	(4,726)	–	(4,726)
– under-provision in prior years	**–**	28	–	28
	(3,868)	(4,698)	–	(4,698)
	4,053	(437)	–	(437)

11 INCOME TAX *(CONTINUED)*

The income tax expense/(credit) on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (loss)/profit of the consolidated entities as follows:

	Year ended 31 December 2015	Year ended 31 December 2014	
	Continuing operations HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000
(Loss)/profit before tax	**(36,545)**	(41,257)	3,033
Calculated at domestic taxation rates applicable to the (loss)/profit in the respective jurisdictions	**(8,741)**	(11,825)	501
Income not subject to income tax	**(2,956)**	(1,699)	(661)
Expenses not deductible for taxation purposes	**6,649**	8,462	65
Tax losses not recognised	**8,969**	4,639	470
Other temporary differences	**132**	(42)	(375)
Under-provision in prior years	**–**	28	–
Income tax expense/(credit)	**4,053**	(437)	–

12 DIVIDENDS

	2015 HK$'000	2014 HK$'000
Write-back of unclaimed dividends	**243**	25

No final dividend was proposed for the year ended 31 December 2015 (2014: Nil).

13 LOSS PER SHARE

The calculations of basic and diluted loss per share are based on the following:

	2015 HK$'000	2014 HK$'000
Loss attributable to equity holders of the Company from:		
Continuing operations	**(38,014)**	(32,826)
Discontinued operation	**–**	3,033
	(38,014)	(29,793)
Number of shares (in thousands)		
Weighted average number of ordinary shares in issue	**1,274,039**	1,274,039
Basic loss per shares (in HK cents)		
Continuing operations	**(2.98)**	(2.58)
Discontinued operation	**–**	0.24
	(2.98)	(2.34)

Employee share options and warrants outstanding as at 31 December 2015 and 2014 would not have dilutive effect on loss per share since they would be anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures, and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2014				
Cost	4,745	3,160	2,517	10,422
Accumulated depreciation and impairment losses	(4,378)	(2,317)	(1,111)	(7,806)
Net book amount	367	843	1,406	2,616
Year ended 31 December 2014				
Opening net book amount	367	843	1,406	2,616
Additions	1,286	1	–	1,287
Disposals	(53)	(382)	–	(435)
Depreciation	(465)	(347)	(504)	(1,316)
Exchange differences	–	(3)	–	(3)
Closing net book amount	1,135	112	902	2,149
At 31 December 2014				
Cost	1,286	682	2,517	4,485
Accumulated depreciation and impairment losses	(151)	(570)	(1,615)	(2,336)
Net book amount	1,135	112	902	2,149
Year ended 31 December 2015				
Opening net book amount	**1,135**	**112**	**902**	**2,149**
Additions	**–**	**61**	**–**	**61**
Depreciation	**(346)**	**(100)**	**(473)**	**(919)**
Exchange differences	**–**	**(1)**	**–**	**(1)**
Closing net book amount	**789**	**72**	**429**	**1,290**
At 31 December 2015				
Cost	**1,286**	**743**	**2,517**	**4,546**
Accumulated depreciation and impairment losses	**(497)**	**(671)**	**(2,088)**	**(3,256)**
Net book amount	**789**	**72**	**429**	**1,290**

As at 31 December 2015, the Group's motor vehicles with net book value of HK$133,000 (2014: HK$534,000) was held under finance lease (Note 27).

15 INVESTMENT PROPERTY

	2015 HK$'000	2014 HK$'000
At fair value		
At 1 January	**389,688**	433,920
Additions	**6,414**	512
Fair value loss	**(27,612)**	(34,537)
Exchange differences	**(16,555)**	(10,207)
At 31 December	**351,935**	389,688

Investment property at its net book value was analysed as follows:

	2015 HK$'000	2014 HK$'000
In the PRC, land use rights with leases between 10 to 50 years	**351,935**	389,688

Rental income derived from the investment property amounted to approximately HK$7,138,000 (2014: HK$15,753,000) during the year. Direct operating cost from property that generated rental income amounted to approximately HK$1,872,000 (2014: HK$2,431,000) during the year.

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group's investment property at 31 December 2015 has been determined on the basis of valuation carried out by an independent qualified valuer, American Appraisal China Limited (the "Valuer") (2014: same). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS"), was arrived at by reference to the current and forecast rental income, allowing for reversionary potential of the investment property.

The Group's finance department led by the financial controller reviews the valuation performed by the Valuer for financial reporting purposes and reports to the chief executive officer. Discussions of valuation processes and results are held between the chief executive officer, the finance department and the Valuer at least once every year, in line with the Group's annual reporting date.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the Valuer.

15 INVESTMENT PROPERTY *(CONTINUED)*

Fair value measurements using significant unobservable inputs (level 3)

Fair value of the Group's investment property is derived using the capitalisation approach (term and reversionary analysis), which is based on the capitalisation of the current rental income and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transactions and Valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings within the subject property and other comparable properties.

There was no change to the valuation technique with that of prior period.

Details of the unobservable inputs in determining the valuation as at 31 December 2015 and 2014 are as follows:

For the year ended	Unobservable inputs	Relationship of unobservable inputs of fair value
31 December 2015	Long term vacancy rate – 8%	The higher the vacancy rate, the lower the fair value
	Average monthly gross unit market rent – (RMB/square meter/month) – Basement level (non street front) – 55; Basement level (street front) – 203 to 225; Upper Levels – 92 to 122	The higher the rents, the higher the fair value
	Adjustment to term yield – 6.25%	The higher the adjustment to term yield, the lower the fair value
	Reversionary yield – 6.75%	The higher the reversionary yield, the lower the fair value
31 December 2014	Long term vacancy rate – 5%	The higher the vacancy rate, the lower the fair value
	Average monthly gross unit market rent – (RMB/square meter/month) – Basement level (non street front) – 45; Basement level (street front) – 231; Upper Levels – 96 to 162	The higher the rents, the higher the fair value
	Adjustment to term yield – 7.5%	The higher the adjustment to term yield, the lower the fair value
	Reversionary yield – 8%	The higher the reversionary yield, the lower the fair value

The investment property as at 31 December 2014 and 2015 was pledged against the Group's borrowings (Note 26).

15 INVESTMENT PROPERTY *(CONTINUED)*

Certain investment properties are leased to tenants under long-term operating leases with rentals payable at regular intervals during the year based on the payment terms. At 31 December 2015, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**8,566**	14,124
Later than one year and not later than five years	**11,946**	13,617
	20,512	27,741

16 INTANGIBLE ASSETS

	Club memberships HK$'000
At 1 January 2014	
Cost	8,820
Accumulated amortisation	(470)
Closing net book amount	8,350
Year ended 31 December 2014	
Opening net book amount	8,350
Amortisation expenses	(418)
Closing net book amount	7,932
At 31 December 2014	
Cost	8,820
Accumulated amortisation	(888)
Closing net book amount	7,932
Year ended 31 December 2015	
Opening net book amount	**7,932**
Amortisation expenses	**(418)**
Closing net book amount	**7,514**
At 31 December 2015	
Cost	**8,820**
Accumulated amortisation	**(1,306)**
Closing net book amount	**7,514**

Amortisation expense of HK$418,000 (2014: HK$418,000) has been charged to other operating expenses (Note 8).

17 LOAN RECEIVABLES

	2015 HK$'000	2014 HK$'000
Loans to customers	**264,967**	81,644
Less: non-current portion	**(105,138)**	(47,844)
	159,829	33,800

During the year, Shanghai Dongkui advanced loans totalling RMB140,000,000 (2014: RMB71,000,000) to its customers under sale-and-lease-back arrangements. These loans are secured by the plant and equipment of the relevant customers and repayable by instalments within one to five years from the draw-down dates. The effective interest rate on such loans ranged from 12.1% to 13.9% (2014: 12.7%) per annum.

In addition, during the year, Shanghai Dongkui also advanced loans totaling RMB60,000,000 (2014: Nil) to customers with effective interest rate ranging from 13.0% to 16.0%. Such loans are unsecured and repayable within one year.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2015			
Assets			
Loan receivables	**264,967**	**–**	**264,967**
Due from related companies	**441,510**	**–**	**441,510**
Deposits and other receivables	**882**	**–**	**882**
Financial assets at fair value through profit or loss	**–**	**52,307**	**52,307**
Cash and cash equivalents	**213,195**	**–**	**213,195**
Total	**920,554**	**52,307**	**972,861**

	Other financial liabilities at amortised cost HK$'000
As at 31 December 2015	
Liabilities	
Other payables	**8,204**
Borrowings	**406,996**
Finance lease liabilities	**133**
Total	**415,333**

18 FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2014			
Assets			
Loan receivable	81,644	–	81,644
Due from related companies	471,720	–	471,720
Deposits and other receivables	700	–	700
Financial assets at fair value through profit or loss	–	17,363	17,363
Cash and cash equivalents	217,313	–	217,313
Total	771,377	17,363	788,740

	Other financial liabilities at amortised cost HK$'000
As at 31 December 2014	
Liabilities	
Other payables	3,284
Borrowings	174,860
Finance lease liabilities	534
Total	178,678

19 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	2015 HK$'000	2014 HK$'000
Loan receivable		
Customers incepted for less than 6 months	**134,243**	81,644
Customers incepted for more than 6 months with no defaults in the past	**130,724**	–
	264,967	81,644
Due from related companies		
Related companies with no defaults in the past	**441,510**	471,720

All bank deposits and financial assets at fair value through profit or loss placed with reputable financial institutions. None of the bank deposits and financial assets at fair value through profit or loss is considered as exposed to major credit risk.

All other receivables are recoverable and not exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in the year ended 31 December 2015 (2014: same).

20 DUE FROM RELATED COMPANIES

	2015 HK$'000	2014 HK$'000
Entrusted loan to a related company (Note a)	**429,480**	449,640
Interest income receivable from a related company	**1,378**	1,305
Reimbursement of tax expenses (Note b)	**10,652**	5,775
Earnest money (Note c)	**–**	15,000
	441,510	471,720

Notes:

a) On 21 November 2014, the Company and Chongqing Baoxu Commercial Property Management Limited ("Baoxu"), a subsidiary of the Company, entered into two loan agreements with Chongqing Doyen (Holding) Co., Limited ("Doyen"), a company incorporated in the PRC and wholly owned by Mr. Lo Siu Yu ("Mr. Lo"), director and controlling shareholder of the Company, whereby the Group agreed to advance two loans totalling RMB360,000,000 through a licensed bank in the PRC (the "entrusted loans") to Doyen. Such loan was unsecured, interest-bearing at 10.5% per annum and repayable within one year from the draw-down date, which was 23 January 2015. On 22 January 2016, such loan was fully repaid. On the same date, the Group extended two loans of RMB340,000,000 in aggregate to Doyen pursuant to two loan agreements signed on 11 November 2015 and upon approval by the Company's shareholders on 15 January 2016 (Note 37).

b) Under the loan agreement as mentioned in Note 20(a) above, Doyen would reimburse any tax expenses relevant to the advancement of the entrusted loan to the Group in order that the Group receives the full loan principal together with the interest income. Accordingly, the Group recorded other income amounting to HK$5,313,000 (2014: HK$5,826,000) during the year, which represented the relevant tax payable by the Group in the current year, including corporate income tax amounting to HK$3,406,000 (2014: HK$3,735,000) and business tax amounting to HK$1,907,000 (2014: HK$2,091,000), in respect of the interest income being received by the Group from such entrusted loans. Such corporate income tax and business tax has been recorded in the Group's consolidated income statement for the current year. Such balance due from Doyen is unsecured, non-interest bearing and repayable on demand.

c) On 14 April 2014, the Group entered into a memorandum of understanding ("MOU") through Super Dynasty Investment Limited ("Super Dynasty"), a subsidiary, with Shanghai Dongsheng Equity Investment Company Limited ("Shanghai Dongsheng"), a company incorporated in the PRC and controlled by Mr. Lo and his spouse, which also owns 12.5% interests in Shanghai Dongkui. The MOU set out the major principal terms for the proposed acquisition by Super Dynasty of 35% equity interest in Shanghai Zhongshengda Asset Management Company Limited ("Shanghai Zhongshengda"), a company incorporated in the PRC, which is owned by Shanghai Dongsheng and the proposed cooperation to develop financial and investment business in the PRC with further terms and conditions to be agreed.

   In consideration of the exclusive negotiation right and the undertaking by Shanghai Dongsheng that it will facilitate Super Dynasty's due diligence process in relation to Shanghai Zhongshengda, the Group paid HK$15,000,000 to Shanghai Dongsheng through Super Dynasty as earnest money for the proposed acquisition. On 14 April 2015, such earnest money was fully repaid upon expiry of the MOU.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepaid arrangement fee for borrowings	–	1,817
Other prepayments	522	355
Accrued rental	4,902	6,233
Other deposits	686	38
Other receivables	547	385
	6,657	8,828
Rental deposits – non-current portion	–	648
	6,657	9,476

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	6,265	11,827
– Equity securities listed in the PRC	7,353	5,536
Other financial asset (Note)	38,689	–
	52,307	17,363

Note: Other than trading in equity securities listed in Hong Kong and the PRC, during the year, the Group also invested in an equity fund which underlying investments comprised mainly listed shares traded on the stock exchanges in the PRC. During the year ended 31 December 2015, the Group recorded unrealised gain amounting to HK$1,669,000 (2014: Nil) from such fund.

Changes in fair value of financial assets through profit or loss are recorded in the consolidated income statement and are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows. The fair values of financial assets at fair value through profit or loss are based on their quoted bid prices.

During the year ended 31 December 2015, the Group recorded gain on disposal of listed equity securities amounting to HK$2,517,000 (2014: HK$3,834,000).

23 CASH AND BANK BALANCES

	2015 HK$'000	2014 HK$'000
Cash at banks and on hand	**206,358**	201,142
Short-term fixed deposits (Note)	**6,837**	16,171
Cash and cash equivalents	**213,195**	217,313

Note: The effective interest rate on the Group's short-term bank deposits was 1.00% (2014: 0.69%) per annum as at 31 December 2015. These deposits have maturities of less than 3 months.

At 31 December 2015, the carrying amounts of the cash and bank balances were denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	**9,534**	18,213
RMB	**203,311**	198,760
USD	**350**	340
	213,195	217,313

RMB is not a freely convertible currency in the international market. The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

24 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital HK$'000
At 1 January 2014	1,274,039	127,404
Transition to no-par regime on 3 March 2014 (Note)	–	1,046,974
At 31 December 2014 and 2015	1,279,039	1,174,378

Note: In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

25 DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method.

The movements on the net deferred income tax assets are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**5,687**	1,053
Credited to consolidated income statement (Note 11)	**3,868**	4,698
Exchange differences	**(384)**	(64)
At 31 December	**9,171**	5,687

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

Deferred tax assets	**Fair value adjustment** HK$'000	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2014	8,431	2,066	–	10,497
Credited/(charged) to the consolidated income statement (Note 11)	8,817	(2,034)	656	7,439
Exchange differences	(280)	(32)	(6)	(318)
At 31 December 2014	**16,968**	**–**	**650**	**17,618**
Credited to the consolidated income statement (Note 11)	**6,799**	**–**	**202**	**7,001**
Exchange differences	**(986)**	**–**	**(36)**	**(1,022)**
At 31 December 2015	**22,781**	**–**	**816**	**23,597**

Deferred tax liabilities	**Fair value adjustment** HK$'000	**Tax depreciation** HK$'000	**Accrued rental** HK$'000	**Total** HK$'000
At 1 January 2014	–	(7,908)	(1,536)	(9,444)
Charged to the consolidated income statement (Note 11)	–	(2,703)	(38)	(2,741)
Exchange differences	–	216	38	254
At 31 December 2014	**–**	**(10,395)**	**(1,536)**	**(11,931)**
(Charged)/credited to the consolidated income statement (Note 11)	**(750)**	**(2,680)**	**297**	**(3,133)**
Exchange differences	**25**	**554**	**59**	**638**
At 31 December 2015	**(725)**	**(12,521)**	**(1,180)**	**(14,426)**

25 DEFERRED INCOME TAX *(CONTINUED)*

The deferred income tax assets not recognised by the Group are summarised as follows:

	2015 HK$'000	2014 HK$'000
Tax losses		
– Without expiry date	**19,572**	23,300
– Expiring in 2016	**2,567**	2,711
– Expiring in 2018	**1,271**	1,342
– Expiring in 2019	**1,330**	1,405
– Expiring in 2020	**2,004**	–
	26,744	28,758

As at 31 December 2015, deferred tax liabilities of HK$1,298,000 (2014: Nil) have not been recognised for the withholding tax that would be payable on the unremitted earnings of a subsidiary in the PRC. Management is of the view that unremitted earnings totalled HK$12,981,000 (2014: Nil) as at 31 December 2015 are intended for reinvestment in the PRC and there is no current plan for distribution.

26 BORROWINGS

	2015 HK$'000	2014 HK$'000
Non-current:		
Bank borrowings, secured (a)	**163,902**	149,880
Other borrowings – bonds – unsecured (b)	**193,077**	–
	356,979	149,880
Current:		
Bank borrowings, secured (a)	**50,017**	24,980
Total borrowings	**406,996**	174,860

(a) Bank borrowings, secured

As at 31 December 2015, the Group's bank borrowings were repayable as follows:

	2015 HK$'000	2014 HK$'000
Within 1 year	**50,017**	24,980
Between 1 to 2 years	**50,760**	–
Between 2 and 5 years	**89,282**	99,920
Over 5 years	**23,860**	49,960
	213,919	174,860

All of the Group's bank borrowings were denominated in RMB.

26 BORROWINGS *(CONTINUED)*

(a) Bank borrowings, secured *(continued)*

As at 31 December 2015, the Group's bank borrowings of HK$143,160,000 (2014: HK$174,860,000) were secured by the investment property of the Group and its rights to receive rental income. Such bank borrowings bore effective annual interest rate (floating) ranging from 5.4% to 6.8% (2014: ranged from 6.8% to 7.2%) during the year. The remaining bank borrowings of HK$70,759,000 (2014: Nil) were secured by loan receivables of the Group amounting to HK$80,638,000 as at 31 December 2015, and bore effective annual interest rate ranging from 5% to 6% (2014: Nil) during the year.

The carrying amounts of the Group's current bank borrowings at the respective reporting dates approximate their fair values as the impact of discounting is insignificant.

(b) Other borrowings – bonds, unsecured

On 22 January 2015, the Group issued bonds with an aggregate face value of HK$195,000,000 at par to Haitong International Finance Company Limited ("Haitong"). Such bond is denominated in HKD, unsecured, bore interest at 9.5% per annum and is repayable within two years from the date of issue and is guaranteed by Mr. Lo, director and controlling shareholder of the Company. Loan arrangement fee amounting to HK$3,665,000 have been amortized over the term of the bonds.

27 FINANCE LEASE LIABILITIES

Finance lease liabilities are effectively secured as the rights to the leased assets (motor vehicles) amounting to HK$429,000 as at 31 December 2015 (2014: HK$902,000) would revert to the lessors in the event of default.

	2015 **HK$'000**	2014 HK$'000
Gross finance lease liabilities-minimum lease payments		
– No later than 1 year	**135**	416
– Later than 1 year and no later than 5 years	**–**	135
	135	551
Future finance charges on finance lease	**(2)**	(17)
Present value of finance lease liabilities	**133**	534

The present value of finance lease liabilities is as follows:

	2015 **HK$'000**	2014 HK$'000
No later than 1 year	**133**	401
Later than 1 year and no later than 5 years	**–**	133
	133	534

28 OTHER PAYABLES AND ACCRUED CHARGES

	2015 HK$'000	2014 HK$'000
Accrual and other payables (Note)	**5,189**	3,742
Rental deposits from tenants	**7,375**	2,503
Provision for reinstatement cost	**100**	100
Other tax payables	**16,096**	13,082
	28,760	19,427

Note:

As at 31 December 2015, accrual and other payables mainly comprised accrued staff costs and professional fee (2014: Same).

29 SUBSIDIARIES

The following is the particulars of the principal subsidiaries as at 31 December 2015:

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held by the Group 2015	Effective interest held by the Group 2014
Interests held indirectly:					
Money Success Business Management Limited	Hong Kong	Provision of management services in Hong Kong	10,000 ordinary shares	**100%**	100%
Money Success Corporate Management Limited	Hong Kong	Provision of management services in Hong Kong	10,000 ordinary shares	**100%**	100%
Baoxu	The PRC	Investment property holding in the PRC	RMB350,000,000	**70%**	70%
Shanghai Dongkui (Note)	The PRC	Financial leasing business in the PRC	USD51,300,000	**77.58%**	58.93%

Note:

During the year, the Group increased its shareholding in Shanghai Dongkui from 58.93% to 77.58% by injecting additional capital to Shanghai Dongkui amounting to HKD181,740,000. The difference between the additional injected capital and the Group's share of the additional net assets value amounting to HK$300,000 was charged to the equity of the Group.

29 SUBSIDIARIES *(CONTINUED)*

(a) Material non-controlling interests

As at 31 December 2015, the Group's non-controlling interest of HK$196,228,000 (2014: HK$208,145,000) are attributable to two non-wholly owned subsidiaries, Baoxu and Shanghai Dongkui, in the PRC.

Set out in below is the summarised financial information of Baoxu and Shanghai Dongkui. There was no transaction with non-controlling interests during the year ended 31 December 2015.

Summarised statement of financial position

	Baoxu		Shanghai Dongkui	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Assets (Note)	**171,277**	186,045	**362,302**	166,704
Liabilities	**(51,151)**	(29,926)	**(31,826)**	(1,350)
Total current net assets	**120,126**	156,119	**330,476**	165,354
Non-current				
Assets	**360,939**	394,571	**105,359**	48,676
Liabilities	**(119,300)**	(149,880)	**(44,602)**	–
Total non-current net assets	**241,639**	244,691	**60,757**	48,676
Net assets	**361,765**	400,810	**391,233**	214,030

Note:

As at 31 December 2015, cash and short-term deposits held by Baoxu and Shanghai Dongkui amounting to HK$39,565,000 (2014: HK$43,731,000) and HK$156,291,000 (2014: HK$127,358,000) respectively, are subject to exchange control regulations in the PRC. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

29 SUBSIDIARIES *(CONTINUED)*

(a) Material non-controlling interests *(continued)*

Summarised statement of comprehensive income

	Baoxu		Shanghai Dongkui	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue	**7,138**	15,753	**23,223**	816
(Loss)/profit before income tax	**(26,376)**	(29,202)	**20,522**	(1,264)
Income tax credit/(expense)	**4,520**	3,860	**(5,167)**	312
Total and other comprehensive (loss)/income	**(21,856)**	(25,342)	**15,355**	(952)
Total comprehensive (loss)/income allocated to non-controlling interests	**(6,557)**	(7,603)	**3,973**	(391)

Summarised statement of cash flows

	Baoxu		Shanghai Dongkui	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash flows from operating activities				
Cash used in operations	**4,231**	8,984	**(174,700)**	(81,805)
Interest paid	**(14,120)**	(17,350)	**(1,251)**	–
Income tax paid	**–**	–	**(3,659)**	–
Net cash used in operating activities	**(9,889)**	(8,366)	**(179,610)**	(81,805)
Net cash generated from/(used in) investing activities	**36,681**	(124,318)	**(35,751)**	(5,791)
Net cash (used in)/generated from financing activities	**(29,073)**	(319,446)	**251,055**	218,400
Net (decrease)/increase in cash and cash equivalents	**(2,281)**	(452,130)	**35,694**	130,804
Cash and cash equivalents at the beginning of the year	**43,731**	504,124	**127,358**	–
Exchange differences	**(1,885)**	(8,263)	**(6,761)**	(3,446)
Cash and cash equivalents at the end of the year	**39,565**	43,731	**156,291**	127,358

The information above is before inter-company elimination.

NOTES TO THE FINANCIAL STATEMENTS

30 INVESTMENT IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
As at 1 January	–	–
Investment during the year	31,200	–
Share of results of an associate	(2,667)	–
As at 31 December	28,533	–

(a) Investment during the year

A share purchase agreement was entered into by the Group on 17 June 2015 to subscribe for 279,623 preferred B-1 shares (representing an enlarged equity interest of 27.78%) of Sol Chip, a company incorporated in Israel, at cash consideration of US$4,000,000 (equivalent to HK$31,200,000). Sol Chip is principally engaged in development and sales of solar energy technology products. Upon completion of the transaction, Sol Chip became an associate of the Group.

There are no contingent liabilities or commitment relating to the Group's interest in the associate.

(b) Summarised financial information for the year

Set out below is the summarised financial information of Sol Chip which is accounted for using the equity method.

Summarised statement of financial position

	2015 HK$'000
Current assets	
Cash and cash equivalents	21,879
Other current assets (excluding cash and cash equivalents)	226
Total current assets	22,105
Current liabilities	(3,859)
Non-current assets	43,868
Non-current liabilities	(20,615)
Net assets	41,499

30 INVESTMENT IN AN ASSOCIATE *(CONTINUED)*

(b) Summarised financial information for the year *(continued)*

Summarised statement of comprehensive income

	2015 HK$'000
Revenue	–
Amortisation of intangible assets	(2,278)
Finance cost	(1,365)
Loss before income tax	(10,200)
Income tax credit	601
Net loss and total comprehensive loss	(9,599)

The information above reflects the amounts presented in the financial statements of the associate and not for the Group's share of those amounts, adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

Summarised financial information

	2015 HK$'000
Opening net assets as at date of investment	19,898
Issuance of share capital for cash	31,200
Loss for the period	(9,599)
Net assets of the associate as at 31 December 2015	41,499
Share of net assets	11,528
Goodwill	17,005
Carrying amount	28,533

31 SHARE OPTION SCHEME

The existing share option scheme of the Group was adopted pursuant to a resolution passed on 11 September 2008. 16,200,000 share options were granted to directors and selected employees during the year ended 31 March 2011. The exercise price of the granted options is the market price of the shares times 101.7% to 107.8% on the respective dates of the grant. Options are conditional on the employee completing one year's or two years' service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 December 2015, no option has been granted under the existing share option scheme (2014: Same).

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

	Average exercise price in HK$ per share	Options (thousands)	
		2015	2014
At 1 January	1.636	**10,800**	10,800
Lapsed during the year		**–**	–
Forfeited during the year		**–**	–
At 31 December		**10,800**	10,800

All of the 10,800,000 outstanding options were vested as at 31 December 2015.

Share options outstanding at 31 December 2015 have the following expiry date and exercise prices:

Expiry date	Exercise price in HK$ per share	Options (thousands)
14 October 2020	1.638	8,700
1 December 2020	1.628	2,100
		10,800

No options were granted or exercised during the year ended 31 December 2015 (2014: Same).

32 WARRANTS

On 10 June 2015, the Company and Haitong entered into a subscription agreement pursuant to which Haitong subscribed 20,000,000 warrants of the Group (the "Warrants") at price of HK$1.00.

Each Warrant entitles the holder to subscribe for one share of the Company at any time during the period of three years commencing from 17 August 2015 at a subscription price of HK$0.6975, representing a discount of 10.58% over the closing price of the Company's shares on the last trading day prior to issuance of such warrants and a discount of 11.71% over the average price of the Company's shares on the last five consecutive trading days up to the last trading day prior to issuance of such warrants. Any warrant not exercised by the expiry of the exercise period will lapse and cease to be valid for all purposes.

The ordinary shares issued from the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company. No Warrants had been exercised by the holders during the current year and all 20,000,000 units of Warrants remained outstanding as at 31 December 2015.

Such issue of Warrants constitute a share-based payment and accordingly the difference between the fair value of the Warrants and the total proceeds received by the Company amounting to HK$6,433,000 was charged to the Group's consolidated income statement.

33 DISCONTINUED OPERATION

On 30 April 2014, the Group closed down its only restaurant in Hong Kong upon expiration of the relevant lease. The results relating to the restaurant operation for the year ended 31 December 2014 are disclosed as discontinued operation in the accompanying income statements, details of which are as follows:

	2014 HK$'000
Revenue	8,956
Cost of sales	(2,240)
Staff costs	(2,941)
Severance payment	(202)
Operating lease rentals	(1,597)
Utilities expenses	(643)
Depreciation of property, plant and equipment	(252)
Repair and maintenance expenses	(57)
Write back of payable upon waiver of debt by a creditor	4,005
Loss on write down of inventory	(30)
Loss on disposal of property, plant and equipment	(393)
Other operating expenses	(1,573)
Profit before income tax	3,033
Income tax	–
Profit for the year	3,033
Net cash outflow from operating activities	(1,241)
Net cash outflow from investing activities	(1)
Net cash outflow from discontinued operations	(1,242)

33 DISCONTINUED OPERATION *(CONTINUED)*

Loss for the year ended 31 December 2014 from discontinued operation includes the following:

	2014 HK$'000
Depreciation of property, plant and equipment	252
Wages and salaries	2,790
Contributions to defined contribution pension plans	151
Severance payment	202

34 CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash used in operations is as follows:

	2015 **HK$'000**	2014 HK$'000
Loss before income tax including discontinued operation	**(36,545)**	(38,224)
Adjustments for:		
Depreciation of property, plant and equipment (Note 14)	**919**	1,316
Amortisation of intangible asset (Note 16)	**418**	418
Loss on disposal of property, plant and equipment	**–**	435
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(3,307)**	4,048
(Gain)/loss on disposal of financial assets at fair value through profit or loss	**(2,517)**	4,771
Gain on disposal of available-for-sale financial assets	**–**	(114)
Fair value loss on investment property (Note 15)	**27,612**	34,537
Share-based compensation	**6,433**	–
Share of loss of an associate	**2,667**	–
Interest income (Note 10)	**(49,010)**	(40,865)
Interest expense (Note 10)	**36,422**	15,486
Dividend income	**–**	(778)
Loss on write down of inventory	**–**	30
Net exchange loss	**14,521**	11,115
Operating loss before working capital changes	**(2,387)**	(7,825)
Decrease in inventories	**–**	1,672
Decrease in trade and accrued rent receivables	**1,331**	1,788
Decrease in deposits, prepayments and other receivables	**1,488**	3,595
Increase in amount due from related companies	**(4,230)**	(7,080)
Increase in loan receivables	**(183,323)**	(81,644)
Decrease in trade payables	**–**	(2,194)
Increase/(decrease) in other payables and accrued charges	**9,576**	(5,925)
Decrease in provision for long service payments	**–**	(310)
Cash used in operations	**(177,545)**	(97,923)

35 COMMITMENTS

Operating lease commitments – where the Group is the lessee

At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 HK$'000	2014 HK$'000
Within one year	985	2,217
After one year and within five years	–	899
	985	3,116

As at 31 December 2015, the Group had no capital expenditure committed but not yet contracted for (2014: Same).

36 RELATED-PARTY TRANSACTIONS

The ultimate controlling party of the Group is Mr. Lo.

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the year:

(a) Rental expense

	2015 HK$'000	2014 HK$'000
Rental expense to a related company	–	12

The amount represented Shanghai Dongkui's office rental expenses charged by Shanghai Dongsheng, a non-controlling shareholder of Shanghai Dongkui.

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2015 HK$'000	2014 HK$'000
Salaries, housing and other allowances	6,800	6,953
Pension contributions	102	66
	6,902	7,019

37 SUBSEQUENT EVENTS

Loan advancements to Doyen

On 22 January 2016, upon receiving the loan repayments from Doyen of RMB360,000,000, two loans totaling RMB340,000,000 were advanced to Doyen on the same date. (Note 20a)

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**540,103**	554,137
Intangible assets	**7,514**	7,932
	547,617	562,069
Current assets		
Due from subsidiaries	**302,021**	129,028
Due from related companies	**315,843**	456,720
Deposits, prepayments and other receivables	**213**	113
Cash and cash equivalents	**11,698**	4,635
	629,775	590,496
Total assets	**1,177,392**	1,152,565
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**1,174,378**	1,174,378
Deficit	**(422,176)**	(394,024)
Total equity	**752,202**	780,354

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

Statement of financial position of the Company (Continued)

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**193,077**	–
Current liabilities			
Due to subsidiaries		**218,838**	364,133
Other payables and accrued charges		**6,281**	4,376
Income tax payable		**6,994**	3,702
		232,113	372,211
Total liabilities		**425,190**	372,211
Total equity and liabilities		**1,177,392**	1,152,565
Net current assets		**397,662**	218,285
Total assets less current liabilities		**945,279**	780,354

Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Other reserve [(1)] HK$'000	Total HK$'000
At 1 January 2014	1,046,974	(394,562)	9,189	661,601
Loss for the year	–	(8,676)	–	(8,676)
Write-back of unclaimed dividends	–	25	–	25
Transition to no par value regime on 3 March 2014 (Note 24)	(1,046,974)	–	–	(1,046,974)
At 31 December 2014 and 1 January 2015	–	(403,213)	9,189	(394,024)
Loss for the year	**–**	**(34,828)**	**–**	**(34,828)**
Write-back of unclaimed dividends	**–**	**243**	**–**	**243**
Issuance of warrants (Note 32)	**–**	**–**	**6,433**	**6,433**
At 31 December 2015	**–**	**(437,798)**	**15,622**	**(422,176)**

(1) Other reserve comprised share-based payment reserve.

FIVE-YEAR FINANCIAL INFORMATION

RESULTS

	For the year ended 31 December		Period from 1 April to 31 December	For the year ended 31 March	
	2015	2014	2013	2013	2012
		(Restated)			(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**30,361**	25,525	56,841	59,559	73,790
(Loss)/profit attributable to equity holders of the Company	**(38,014)**	(29,793)	1,818	150,750	(13,078)

ASSETS AND LIABILITIES

	At 31 December			At 31 March	
	2015	2014	2013	2013	2012
			(Restated)		(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,377,079**	1,202,972	1,199,979	1,214,284	1,710,577
Total liabilities	**444,886**	199,720	234,897	264,830	649,302
Net assets	**932,193**	1,003,252	965,082	949,454	1,061,275
Non-controlling interests	**196,228**	208,145	130,948	126,101	116,342
Capital and reserves attributable to the Company's equity holders	**735,965**	795,107	834,134	823,353	944,933